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## NATO'S NEW ULTIMATUM

# Serbs Press Attacks, Then Talk Truce

By Craig R. Whitney  
*New York Times Service*

BRUSSELS — The North Atlantic Treaty Organization on Friday warned Bosnian Serb forces that they would face air strikes against heavy weapons and "other military targets" within 20 kilometers of the besieged eastern Bosnian city of Gorazde unless they immediately stopped their attacks.

The allies also agreed to an American proposal giving the Serbs until 2:01 A.M. Sunday (0001 GMT) to pull their forces back 3 kilometers (about 2 miles) from the center of the city and allow free access to its 65,000 mainly Muslim refugees by United Nations forces, humanitarian relief convoys, and medical teams.

But NATO air forces could be authorized to strike before the Sunday deadline if the Serbs keep shelling Gorazde, allied officials emphasized.

[NATO was poised to widen the ultimatum to protect all UN-designated "safe areas" in Bosnia and to impose exclusion zones around them so that Serbian forces would have to

withdraw, news agencies reported, quoting alliance sources. These areas include Tuzla, Zepa, Bihać and Srebrenica.

The alliance later added to the Gorazde ultimatum, threatening the Serbs with air strikes unless they withdrew heavy guns from 20 kilometers around Gorazde by early Wednesday.

[Earlier, the NATO secretary-general, Manfred Wörner, said that he did not expect its threat of air strikes against Serbs to escalate the war.]

As positions appeared to harden in the conflict, there were reports from Belgrade that the Bosnian Serbs had agreed late Friday to a cease-fire around Gorazde. Yasushi Akashi, the top UN official in the former Yugoslavia, said after talks that the truce was to take effect at noon Saturday.

But there were other signs of defiance:

• Bosnian Serbian forces resumed shelling Gorazde on Friday after a lull and after the ultimatum was declared, UN officials said.

• Yugoslavia's foreign minister warned that

with further NATO action, "the possibility that Serbia becomes involved is a reality."

The United States pressed for an early decision on measures to end the attacks on Gorazde before the city fell.

American officials said the United States did not succeed in getting the allies to agree as part of the initial decision on Gorazde to require the Serbs later to withdraw their forces from the 20-kilometer zone around it. Nor did it get allied backing for a proposal to let NATO military commanders decide on their own authority, without UN approval, what targets to hit within the zone.

The murderous, barbaric attacks against the defenseless civilians of Gorazde are an outrage," Mr. Wörner said. "Still today the shelling has continued. Half measures will not do.

"It is now up to the Bosnian Serbs to heed these demands, or they will face serious consequences."

President Bill Clinton applauded the alliance's moves. "This decision provides NATO forces with greater authority to respond to

Bosnian Serb attacks," he said in Washington. "The Bosnian Serbs should not doubt NATO's willingness to act."

NATO officials did not specify what military targets would be hit beyond the heavy weapons — tanks, artillery pieces, and mortars — they have had authority to strike, if the UN asked them to, since last summer. Asked if the bridges the Serbs use to get reinforcements and supplies across the Drina River to the war zone could be bombed, the U.S. delegate to NATO, Robert C. Hunter, said, "Only military targets," deliberately leaving them unclear.

Officers in NATO's Southern Europe command in Naples also said Friday night that they expected to receive a detailed list of targets from the alliance's military committee.

But NATO officials in Brussels said that no targets on the eastern side of the river, on Serbian territory, even within the 20-kilometer zone, would be hit. Secretary of State Warren M. Christopher said Thursday that strikes against military objectives in Serbia might be considered later.

The decision came on a day when the Serbs continued their shelling of Gorazde, with tank fire hitting a building housing UN offices and a Red Cross refugee center. On Thursday, in what UN officials said was the worst day of shelling so far in the city, 97 people were killed.

NATO governments, all facing mounting pressure from their constituents to do something besides just stand by and watch the slaughter in Gorazde, seemed to be hoping the mere threat of wider bombing would persuade the Serbs to halt their advance on Gorazde, just as a NATO ultimatum in February persuaded them to stop the shelling of Sarajevo then. The Serbs said they agreed to turn over their heavy weapons in Sarajevo to UN control because the Russians had asked them to.

Pressure from the European allies on the United States to continue parallel efforts to reach a diplomatic settlement remained strong at Friday's meeting, which was held at NATO's headquarters outside Brussels. The allies also called on the Bosnian government forces in

Gorazde not to try to use NATO protection to launch a military offensive of their own.

NATO officials said that Russia, whose leader has called for a summit meeting of American, Russian, UN and European Union negotiators within the next month, would be kept closely informed of Friday's decision.

American officials here described the decision on Gorazde as the direct result of a Clinton administration initiative.

The US has imposed an economic and strategic embargo on Serbia for its support of Serbian nationalists attacks on Croatian and Muslim areas in Bosnia since 1992 but the United States did not succeed in winning support from the allies to lift the arms embargo on all of what used to be Yugoslavia for the Bosnian Muslims.

And despite an American attempt to shortcut UN control over air strikes, the NATO military commander in charge of air operations over Bosnia, Admiral Leighton Smith, an

See ULTIMATUM, Page 5

## After-Election Fears Shake South Africans

### Indians, Fearful of a Black Takeover, Are Turning to the Party of Apartheid

By Kenneth B. Noble  
*New York Times Service*

PHOENIX, South Africa — There was nothing obviously threatening about the three black women who knocked on Neelie Rajoo's door last month and said they were looking for work.

Although she had no use for another housekeeper, Mrs. Rajoo, 46, a shop clerk of Indian descent, offered them a seat and some water.

"They were very well dressed and very educated and spoke perfect English," Mrs. Rajoo said.

Then, matter-of-factly, as though she were buying a packet of gum, one of the women placed a two-rand coin — about 60 cents — into her empty cup.

This, she said, was a deposit on Mrs. Rajoo's house. They would return after election day, she added, to take possession of what was rightfully theirs.

Odd encounters like this one have been reported with increasing frequency in the last few months here, part of a campaign that appears to be organized but remains mysterious in its origins.

For Mrs. Rajoo, however, there was no mystery in the message: blacks are poised to seize not only power but just about anything else they want, confident that the future black government will do little to stop them.

That explains why she and her sister Kogie, 47, who live together in a comfortable two-story house in one of South Africa's few racially mixed residential areas, say they expect to cast their vote for the National Party, the inventors and enforcers of apartheid.

"I've lived and worked with blacks all my life, and I've always supported their struggle and supported the African National Congress," Mrs. Rajoo said. "But now we're scared. When we look at the blacks, whether it is the ANC or Inkatha, all we see is violence and fighting."

The Rajoo's radical shift in allegiances illustrates the extraordinary changes underway here on the outskirts of Durban, a port city and commercial center of Natal Province and home to the largest concentration of Indians outside of India. They account for about 3 percent of South Africa's population of 35 million.

In yet another reverberation from the col-

lapse of South Africa's apartheid system, the bulk of the Indian community, once considered a natural ally of the black opposition, is now inclined to support the National Party, according to recent polls and regional analyses.

For years, South Africa's 1 million Indians have faced a quandary. They are resented by many blacks, who see them as exploitative outsiders who treat Africans with condescension, if not outright disdain, yet they have never been accepted by whites.

At the same time, people of Indian descent have been at the forefront of those opposed to the apartheid system.

Perhaps most telling, Mohandas K. Gandhi, who spent two decades here around the start of the century, established the Natal Indian Congress, now the oldest political organization in the country and among the first to mount organized resistance to the policies of successive white governments that disenfranchised blacks.

By most accounts, Gandhi took little interest in blacks, but his theories powerfully influenced the African National Congress, which was founded in 1912 and retained a creed of nonviolence for nearly half a century. Nelson Mandela, the ANC president, has regularly invoked Gandhi as his spiritual mentor.

Given the Indian community's long history in the black resistance struggle, analysts initially assumed that Indians would line up squarely behind the black-dominated political parties, mostly the African National Congress but also the Zulu-based Inkatha Freedom Party in Natal.

But lately there appears to be a clear shift of support in the Indian community toward the National Party.

ANC officials deny any signs of disaffection from potential Indian voters.

"I just don't believe that," said Jacob Zuma, the ANC's senior official in Natal. "We have people out in the community, and we know that the Indians are strongly behind us."

But others reject this argument. Among those who believe that the National Party is likely to win big among Indians is Mafuindu Rabah, a former member of the disbanded three-chamber parliament, which

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## Kiosk

### Coma Deepens, Family at Nixon's Side

NEW YORK (AP) — Former President Richard Nixon lay near death Friday from the worsening damage of the stroke he suffered on Monday. "He's in a very deep coma, still in the intensive care unit," said a spokeswoman for New York Hospital-Cornell Medical Center. She said Mr. Nixon's

daughter, Tricia Nixon Cox and Julie Nixon Eisenhower, were with him. Two Marine sergeants were standing by to serve as honor guard when she died.

Mr. Nixon, 81, slipped into unconsciousness after developing swelling of the brain, a potentially deadly complication.

Book Review Page 6

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Coming Monday

A close look at what the Channel Tunnel will mean in the short and long run.

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Dow Jones	Trib Index
Down 3.86	Up 1.06%
3,545.68	110.98
The Dollar	
Up 1.6862	Up 1.6865
DM 1.4865	1.4861
Pound 1.4865	1.4868
Yen 103.24	103.68
FF 5.786	5.796

Newsstand Prices	
Andorra	9.00
Afghanistan	11.20
Algeria	1.400 CFA
Cameroon	1.400 CFA
Egypt	E.P. 5000
France	9.00 FF
Gabon	960 CFA
Greece	960 CFA
Ivory Coast	1.120 CFA
Jordan	1 JD
Lebanon	U.S. 1.50
Morocco	12 Dhs
Reunion	11.20 FF
Saudi Arabia	9.00 R.
Spain	200 PTAS
Tunisia	1.000 Din
Turkey	T.L. 15,000
U.A.E.	8.50 Dhs
U.S. Mil. (Eur.)	\$1.10

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Mr. Nixon, 81, slipped into unconsciousness after developing swelling of the brain, a potentially deadly complication.

His statements were prompted by U.S. con-



Prime Minister Hosokawa, right, greeting his successor, Foreign Minister Hata, after the coalition chose him Friday. (Source: Yonhap News Agency)

## Hata Is Unlikely To Move Boldly Experience May Hamper Next Japanese Leader

By Steven Brill  
*International Herald Tribune*

TOKYO — Japan's next prime minister, Tsutomu Hata, is committed to economic reform and is better equipped than his predecessor to get things done. But it is unlikely that he will sweep open Japan's markets or censure bureaucrats opposed to sweeping deregulation.

Unlike his predecessor, Morihiro Hosokawa, who had little experience in national politics before becoming prime minister, Mr. Hata, 58, has been a member of the Diet, or parliament, for 25 years and has served as minister of agriculture, finance and, most recently, foreign affairs. Yet the wealth of bureaucratic and business connections that he has built up impose obligations that could limit his ability to make bold moves. He also will be hampered by the fractiousness of the multiparty coalition that has governed Japan since last year.

"Hata's an improvement over Hosokawa in that the government will function better," said a Western government official. "Yet the fundamental discontinuity of the coalition persists and we can't see bold policies coming out."

The contentious two-week process that resulted in Mr. Hata's nomination Friday as the governing coalition's candidate clears the way for one important economic step: passage, most likely by the end of May, of the national budget for the fiscal year that began this month. The fate of the budget had clouded the outlook for Japan's economy, which is expected to muster less than 1 percent growth this year.

The bickering and betrayal evident as the coalition's leaders first considered, then abandoned, an alliance with Michio Watanabe of the conservative Liberal Democrats highlighted deep differences in personalities and policies that are likely to hinder Mr. Hata's hand.

In the platform supporting Mr. Hata's nomination, the Socialist coalition members' objections to raising consumption taxes were papered over in fuzzy language. Many economists believe raising such taxes is crucial to overhauling the tax system so that it can cope with the rapidly aging society.

The platform postpones a decision on taxes until the end of the year, but that will be too late for Tokyo to offer specific commitments at the meeting of the Group of Seven leading industrialized nations in Naples in July.

The United States, hoping to see Japan's economy grow faster and suck in more imports, wants Tokyo to extend this year's cuts in income taxes for several years without increasing consumption taxes. But the Finance Ministry opposes the extension without a promise to finance the cuts with higher consumption taxes down the road. The standoff makes it more likely that Japan will offer instead to reflate its economy by

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## U.S. Might Go Outside UN for Sanctions on North Korea

By R. Jeffrey Smith  
*Washington Post Service*

TOKYO — Secretary of Defense William J. Perry warned Friday that the United States would seek to impose some form of economic sanctions against North Korea next month if the country failed to allow a satisfactory international inspection of its planned removal of spent fuel from a nuclear reactor.

Mr. Perry said senior South Korean and Japanese government officials had assured him of their support for such a move. He also said that if China, a close ally of North Korea, blocked UN Security Council approval of any sanctions, Washington would still try to enlist other nations in an embargo of trade with North Korea.

His statements were prompted by U.S. con-

cern about North Korea's statement in a letter to the International Atomic Energy Agency this week that the spent fuel in a five-megawatt nuclear reactor at the Yongbyon complex north of Pyongyang will soon be withdrawn.

U.S. officials say the fuel contains enough plutonium for the North to produce four to five nuclear weapons. It is suspected that it may already possess one or two such weapons.

North Korea's letter said that inspectors of the UN agency were welcome to witness the fuel withdrawal process to ensure that the plutonium was not diverted to nuclear arms. But it did not say how much access the inspectors could have or how long they could continue to monitor the fuel after it was withdrawn and placed in storage.</p

# Peres and Arafat Press for Quick Self-Rule Agreement

By Chris Hedges  
New York Times Service

BUCHAREST — Foreign Minister Shimon Peres and the PLO chairman, Yasser Arafat, have held the first high-level talks between the two sides in almost three months, planning to advance negotiations on the final differences holding up the self-rule agreement for Gaza and the West Bank town of Jericho.

The two men, who met Wednesday and Thursday, were guardedly about what they had accomplished. But Mr. Arafat said the sessions had been "important."

"We are at the beginning of the end," Mr. Peres said, "and we are trying to find a way to complete this great historic voyage of the Palestinian people and the Israeli people."

Despite the progress that both sides said they had made, details of the final agreement still elude their negotiators in Cairo. Mr. Peres said he and Mr. Arafat might travel to Cairo next week to oversee the final stages of the talks there.

The two leaders have resolved to conclude the negotiations within two to three weeks, although sides said they would not formally announce a date for fear of creating a deadline that might be missed.

[Prime Minister Yitzhak Rabin said Friday that Israel and the PLO would wrap up an accord to launch Palestinian self-rule in Gaza and Jericho in mid-May, Agence France-Presse reported from Tel Aviv.]

"I think we shall arrive at an accord in mid-May,

but it is better not to set a date in advance," Mr. Rabin told journalists. "The main thing is to reach a detailed accord."

Mr. Rabin said the army would complete its withdrawal "two or three weeks" after the accord was signed.

Mr. Peres also promised Mr. Arafat that once a Palestinian police force was in place in Gaza and Jericho, perhaps three weeks after the agreement is signed, the Israelis would finish withdrawing in a matter of days, rather than weeks as originally planned.

The foreign minister also discussed several lesser issues with Mr. Arafat, including legal jurisdiction in the Palestinian enclave, often taking time out to speak by telephone with Prime Minister Yitzhak Rabin, officials said.

The issue of the jailing of Palestinian prisoners who belong to the Islamic militant group Hamas and their release is one of the major hurdles that remains to be settled.

Mr. Peres said that once the Israelis withdraw from the occupied Gaza Strip and Jericho, he expected that the talks aimed at defining Palestinian autonomy for all of the West Bank and Gaza would be concluded quickly, rather than in the three years allotted for such negotiations.

Both Mr. Peres and Mr. Arafat addressed the opening session of a conference of a foundation based in

Switzerland, the Crans Montana Forum, and headed a panel on economic prospects for the Middle East. In discussions with the delegates, both made impassioned pleas for financial assistance.

"Up until now, the Palestinian economy has been under Israeli occupation," Mr. Arafat said. "It has been entirely linked to the Israeli economy. When the Israelis withdraw, our problems will be different. We will achieve authority, but after so many wars we need a Marshall Plan as in Europe after the war."

The two men, who said they would meet again on May 2 in Cairo to discuss economic aid with foreign donors, held their talks here with a sense of urgency, according to those who sat in on the discussions.

The massacre of at least 29 Palestinian worshippers in a Hebron mosque in February and two suicide bomb attacks by Islamic militants against Israeli citizens were seen by both men as a direct result of the long delay in carrying out the self-rule agreement.

Both men warned that any derailment of the accord would only further fuel militancy.

"If we do not achieve peace, the only alternative will be complete confusion and a Balkanization of the conflict," Mr. Arafat said.

But the PLO chief was also unusually upbeat, saying for the first time in several weeks that he believed an agreement would be obtainable soon.

"I am sure," Mr. Arafat said, "that we are at the end of this long march."

## Islam Group Claims Killing of Soldier

The Associated Press

JERUSALEM — The militant Islamic group Hamas claimed responsibility Friday for the killing of an Israeli soldier in a West Bank village. He had been stabbed eight times in the back.

An anonymous caller to Israel Radio said members of Hamas had killed the soldier Thursday, a police spokesman said. Previous attacks by Hamas and Islamic Jihad, another militant group, have left 13 Israelis dead and 80 wounded this month.

Meanwhile, armed underground groups linked to Hamas and the Palestine Liberation Organization announced Friday that they had signed a cease-fire agreement in the Gaza Strip. They renounced "disputed and bloody conflicts" and agreed to put killings of Arab collaborators on hold for a month.

The two groups issued the joint statement in defiance of Israel's threat earlier this week not to implement autonomy if the PLO cooperates with Hamas or other groups that are killing Israelis.

## WORLD BRIEFS

### Algeria Group Warns Foreign Firms

MADRID (Reuters) — Islamic fundamentalists have warned foreign businesses to leave Algeria or risk being attacked both inside and outside the country, the Spanish daily *El País* reported Friday.

The Supreme Council of the Islamic Armed Forces, a shadowy entity linking three militant factions, sent a statement to Western embassies and consuls in Algeria on Thursday, said the *El País* correspondent, Fernan Sales.

The letter accused foreign companies of collaborating with President Lamaine Zeroual's government in the repression of fundamentalists. "Embassies have informed their respective governments of its content and have warned their businesses of this new threat," wrote Mr. Sales, who is one of the few foreign journalists remaining in Algeria.

### Black-Sea Fleet Talks End in Failure

SEVASTOPOL, Ukraine (Reuters) — Negotiations between Ukraine and Russia on dividing the Black Sea Fleet ended in failure Friday, with the Russian delegation storming out of talks. Ukraine's Defense Ministry said.

Alexander Kluban, a ministry spokesman, said the talks founded on the issue of where to base the two sides' naval forces. He said Defense Minister Pavel S. Grachev of Russia took up an agreement on splitting the fleet's ships reached earlier and left without saying goodbye to his Ukrainian hosts.

General Grachev said the two days of talks at Sevastopol, the fleet's headquarters, produced "no results." He declined to sign the accord under which Ukraine was to keep about 20 percent of the fleet's 833 vessels.

### Italian Leaders Hold Cabinet Talks

ROME (Reuters) — President Oscar Luigi Scalfaro began formal consultations with political leaders on Friday to start forming Italy's first government since a three-party conservative coalition dominated elections last month.

Mr. Scalfaro met Carlo Scognamiglio, the Senate president, who was elected on the media magnate Silvio Berlusconi's Forza Italia ticket. He was holding talks later Friday with the speaker of the lower house, Irene Pivetti, a member of the Northern League. The third coalition partner is the neofascist National Alliance.

The consultations are due to end Tuesday. Political analysts expect Mr. Scalfaro to ask Mr. Berlusconi to form a government. Mr. Berlusconi would then begin consultations with his coalition partners to form a cabinet.

### U.S. Won't Stop Returning Haitians

WASHINGTON (Reuters) — The United States said Friday it would maintain its policy of forcibly returning Haitian boat people to Haiti. The State Department spokesman, Mike McCurry, said the Coast Guard's decision to allow passengers ashore Thursday from a crowded vessel intercepted closer to the Florida coast was a humanitarian exception.

The policy of forcible return, carried out despite a wave of political murders in Haiti of opponents of its military leaders, has attracted strong criticism in recent days. The deposed president of Haiti, the Reverend Jean-Bertrand Aristide, branded it Thursday as racist, a view echoed by the Black Caucus in Congress and a number of prominent Democrats.

The Clinton administration is preparing to step up an economic embargo of Haiti in an effort to force its military rulers to step aside and allow Father Aristide to return.

### Poll Finds Kohl Gaining on Rivals

BONN (Reuters) — Chancellor Helmut Kohl is catching up on his Social Democrat rivals as more people believe the economy is emerging from recession, according to an opinion poll released Friday.

The monthly "Politbarometer" survey for ZDF television indicated that Mr. Kohl's Christian Democrats would win 37 percent of the vote if general elections were held now, up one point from March, and the Social Democrats would score an unchanged 39 percent.

The poll showed personal support for Mr. Kohl rose to 39 percent in April, from 35 percent in March, while the opposition leader, Rudolf Schämping, slipped 7 points, to 47 percent.

### For the Record

The Dutch and German defense ministers signed an accord Friday for a joint army corps. It creates a 50,000-man unit, with equal numbers of Dutch and German personnel, that will be under NATO command and have joint training, exercises and logistical operations. (AP)

## TRAVEL UPDATE

### British Airways-Loganair Link Is Set

GLASGOW (AFP) — British Airways and the Scottish airline Loganair announced a preliminary agreement on an eight-year franchise arrangement on Scottish routes. It calls for Loganair to operate a service via Scotland called British Air Express, using British Airways planes.

British Air will take many of its larger planes off Scottish routes, using them instead on cross-border routes, such as Glasgow-Birmingham. Those Scottish routes will be taken over by Loganair, which will run them, along with its own Scottish routes, under the British Air Express banner. Loganair, owned by Airlines of Britain Holdings, gave up its non-Scottish routes to Manx, also part of the ABH group, earlier this year.

A one-week pass to visit the Angkor temple complex will cost \$60 starting in May, the Cambodian press agency AKP reported. One-day and three-day tickets also will be offered, at \$20 and \$40. (AFP)

South Korean visitors to Canada will no longer need visas, the Canadian minister of citizenship and immigration, Sergio Marchi, announced. More than 35,000 South Koreans visited Canada in 1993. (AFP)

### Britons Prefer Solemnity To Celebration for D-Day

Agence France-Presse

LONDON — A large majority of Britons disagree with faltering government plans for a national celebration to mark the 50th anniversary of D-Day and support calls for solemn commemoration, a poll indicated Friday.

Of 1,062 adults interviewed across Britain, 62 percent of those over 18 and 72 percent of people old enough to remember the 1944 landings in Normandy said they believed that "solemn national ceremonies of commemoration to remember the dead" were the right way to mark the day, the NOP poll for *The Independent* found.

Also, 52 percent disagreed with "the government's plan to have a national celebration" and 65 percent agreed with criticism by D-Day veterans that the anniversary would be "trivialized by firework displays and street parties."

Following a barrage of criticism from veterans and members of Parliament across party lines, and urgent meetings with representatives of the Normandy Veterans' Association and the Royal British Legion, the government has agreed to tone down plans for what it originally described as "a dazzlingly entertaining family day" on July 3 in London's Hyde Park.

Veterans, backed by the wartime armed forces "sweetheart," Dame Vera Lynn, earlier this week threatened a boycott, but have now agreed to reconsider and draw up their own suggested program.



## Teen's Mother Petitions Singapore Over Caning

Compiled by Our Staff From Dispatches

SINGAPORE — The mother of an American teenager sentenced to be caned for vandalizing cars delivered a petition to the president of Singapore requesting a reprieve.

Randy Chan, the mother of Michael P. Fay, carried five bundles of names from the United States, Britain, Singapore and Hong Kong to a guard post at the presidential palace, according to a defense lawyer, Christine Lim.

Mrs. Chan, who returned to Singapore from the United States on Monday, gathered the signatures in an effort to persuade the govern-

ment to spare her son, who pleaded guilty last month to two counts of vandalism. Each count carries a mandatory three lashes with a ratan cane on bare buttocks.

The petition, with more than 6,000 signatures, was separate from a clemency appeal filed Wednesday by Mr. Fay, who has been living in Singapore with his mother and stepfather since 1992. He also is serving a four-month jail term for

An average of 1,000 people re-

ceive caning as punishment each year in Singapore for various crimes, according to official figures.

There has been no official comment about the petition campaign or the clemency plea to President Ong Teng Cheong. Under Singapore's procedure, Mr. Ong must consult the cabinet before making a decision on Mr. Fay's formal legal appeal. The cabinet was not expected to meet again until Wednesday.

"President Clinton himself was reported to have said that 'it's not entirely clear that his confession wasn't coerced from him,'" notwithstanding that Fay was given due process of law," said the statement.

"What does concern us very much is the contempt by the authorities to involve doctors in these procedures, whether we are talking about the amputation of limbs as a form of judicial punishment, caning or flogging or anything else," he said.

Dr. Field would not comment directly on the cases of teenagers in Singapore sentenced to caning, but said the association op-

posed the involvement of doctors in such punishment.

"What does concern us very much is the contempt by the authorities to involve doctors in these procedures, whether we are talking about the amputation of limbs as a form of judicial punishment, caning or flogging or anything else," he said.

Dr. Field said he understood that Singapore required a doctor to certify that a person is fit for caning and to be present during the punishment to monitor the prisoner's health.

"I don't think that is a doctors' responsibility and that is not why we trained in medicine to provide this sort of assistance," he said.

### Medical Aide Opposes Using Doctors to Monitor Flogging

Reuters

SYDNEY — The chief of the World Medical Association, an international doctors' group, said Friday that doctors should not serve as monitors of judicial floggings or amputations.

"If I was asked to certify someone as suitable for a flogging, I would simply say 'No,' because I

don't believe anybody is fit for a flogging," Dr. Ian Field, the association's secretary-general said at a press conference at the 138th WMA Council Meeting in Sydney.

Dr. Field would not comment directly on the cases of teenagers in Singapore sentenced to caning, but said the association op-

posed the involvement of doctors in such punishment.

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"I don't think that is a doctors' responsibility and that is not why we trained in medicine to provide this sort of assistance," he said.

### Aid Groups and Africans Assail UN's Rwanda Cuts

Reuters

LONDON — Relief agencies and the Organization of African

Unit on Friday condemned a United Nations decision to withdraw all but a skeleton force of peacekeepers from Rwanda. An estimated 100,000 people have been killed since April 6 that killed the presidents of Rwanda and neighboring Burundi. The UN force, which at one time numbered 2,500 troops, is "short-sighted, callous decision" to withdraw most of the UN force, according to the UN.

In Addis Ababa, Ethiopia, the Organization of African Unity accused the United Nations of abandoning the Rwandan people.

The group's secretary-general, Salim Ahmed Salim, said the decision to cut UN forces revealed a lack of concern for Africa at a time when the world body was increasingly involved elsewhere.

In London, David Bryar, director of Oxfam, said the aid agency was "outraged" at what he called a

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# THE AMERICAS / NEO-WELFARE CHEATS

## Politicians Latch Onto a Radical Reform of the Dole — By Abolishing It

By Jason DeParle  
New York Times Service

WASHINGTON — A decade ago, when Charles Murray first proposed abolishing welfare, the idea was so radical that even he would not fully embrace it.

He wrote that he was simply conducting a "thought experiment" by suggesting that poor women and children should fend for themselves, without government aid.

Now, with a force that has stunned even Mr. Murray, politicians are embracing the idea. The talk of reforming welfare by extinguishing it shows how far and fast the debate is moving to the right.

While the proposal is unlikely to become law anytime soon, support for it could fracture the fragile consensus around proposals like those of

President Bill Clinton, which would preserve benefits but make people work for them.

Last week three leaders of the Republican Party, including Jack F. Kemp, the self-styled "bleeding-heart conservative," signed on to a plan that would abolish payments to women younger than 21. There are at least three related proposals in Congress, and two of them would allow states to extend it to women of all ages.

The trend partly reflects a partisan attempt by Republicans to distinguish themselves on the welfare issue. But one of the bills has a Democratic author, Senator Joseph I. Lieberman of Connecticut.

Mr. Murray, now affiliated with the American Enterprise Institute, a Washington research group, is no longer thinking out loud. He maintains that the drastic move is needed to reverse the spiraling rates of out-of-wedlock births.

He agreed that welfare politics was in a volatile state in election year. Consider: A Democ-

atic president is about to propose a bill that would impose the toughest work requirements in the welfare program's half-century history.

But House Republicans are already calling the plan too soft, and they have drafted a bill with even stricter work requirements.

Mr. Kemp is arguing that even that measure does not go far enough. He outlined his views last week in a public memorandum, which was co-authored by his co-directors at the political organization Empower America. They are William J. Bennett, the former secretary of education, and Vin Weber, a former Republican congressman from Minnesota. The memorandum was striking in its partisan tone, which may reflect a Republican fear that Mr. Clinton is stealing the welfare issue from them.

Representative Newt Gingrich of Georgia, the Republican whip, said the move was an attempt by Mr. Kemp "to get more press attention," which Mr. Kemp acknowledged. But Mr. Gingrich added that he was among those interested in abolishing welfare benefits.

Nearly 30 percent of all Americans are now born to single mothers: 22 percent of whites and 66 percent of blacks. The figures have climbed every year for three decades, and most analysts view the trend with alarm.

Mr. Murray has been sounding his warnings since at least 1984, when he proposed his thought experiment in the book "Losing Ground" (Basic Books). But he rose to new prominence last October with an article in The Wall Street Journal that predicted the rise of a large white underclass. "Every once in a while the sky really is falling," he wrote.

Even Mr. Clinton praised his analysis as

"essentially right" while questioning his prescription.

Analysts endlessly debate Mr. Murray's belief that the welfare system is a main cause of the rise in out-of-wedlock births. His detractors note that single parenthood is also rising in other countries and among affluent Americans.

Mr. Murray argues that, without welfare, out-of-wedlock births would fall by as much as 50 percent in the first year. He argues that women who do have children they cannot support could marry, seek charity, put their children up for adoption or in government-financed orphanages.

Senator Lieberman argues that drastic situations call for drastic measures. "I don't want to sacrifice a generation of kids, but I'm also saying, 'Let's remember folks, the conditions that children are living in now are dreadful.'

### ★ POLITICAL NOTES ★

#### The Crime Bill: Something for Everyone

WASHINGTON — Now that the House has passed its anti-crime bill, a politically fetching package of tougher penalties and bigger prisons and more prevention programs, Congress seems likely to vote a final version into law by the end of May, when the summer campaign season gets under way.

The vote Thursday was 285 to 14, after a week of debating and amending increased the bill's stated cost to about \$37.9 billion for the rest of the decade. The breakdown is \$15.5 billion for new prisons, \$5.3 billion to hire 50,000 new local police officers and to expand federal law enforcement, and \$9.2 billion for crime prevention and drug treatment.

But those figures are largely for show. The final version still needs to be hammered out in discussions with senators who passed their own version of the crime bill last November. Both sides have already agreed that the spending will total \$22.3 billion, including the Senate's provision of \$9 billion to hire and train 100,000 neighborhood police officers.

How best to spend the rest — to punish existing crooks or to prevent youngsters from becoming new ones — will be the main issue in the committee negotiations, said the chief sponsor of the House measure, Representative Charles E. Schumer, Democrat of New York.

The House would spend considerably more than the Senate on crime-prevention tactics like drug programs, family counseling, inner-city sports leagues and neighborhood watch groups. The Senate, in turn, would like to spend more on state prison construction.

Still, after decades in which Congress has repeatedly beefed up laws, built jails and warred on drugs and youth crime to little effect, some experts wondered aloud how much this latest measure could affect the streets.

"It all depends on whether you want to be in the punishment business or the crime-control business," said Jerome H. Skolnick, a professor at the University of California-Berkeley law school who heads the American Society of Criminology.

"They're not the same. If you want to punish, fine; but it's very costly. If you want to control crime, you've got to put your money into rehabilitation and prevention."

(NYT)

#### Rostenkowski: Lift Taxes for Health Care

BOSTON — Representative Dan Rostenkowski, chairman of the House Ways and Means Committee, called Friday for a "broad tax increase" to finance some of the cost of health care, and insisted that employers pay much of the cost of their workers' premiums.

The Illinois Democrat, one of the half-dozen most influential members of Congress on health care, said additional money was needed because he doubted the Clinton administration's estimates about cost savings. He said he did not want to see some new levy, like a value-added tax, but instead preferred to expand "a tax that is already on the books."

He would not say whether he wanted to raise income tax rates, adding he would make his proposal first to his committee when it convenes to deal with this issue, probably the week after next. In the past he has also unsuccessfully advocated much higher gasoline taxes.

Mr. Rostenkowski's proposal contradicts the Clinton administration's fear that health care legislation would be doomed if any major taxes were sought to finance it. Mr. Rostenkowski said, "I think this is a major program, and if we are serious, we have to belly up to the bar."

This was the second major congressional step in a week designed to move health care legislation out of the theoretical stage and into real lawmaking.

(NYT)

#### A 2d Senator Seeks to Succeed Mitchell

WASHINGTON — The chairman of the Senate Budget Committee, Jim Sasser, a Tennessee Democrat, told colleagues that he would run to succeed Senator George J. Mitchell of Maine as majority leader, virtually assuring a two-way race between Mr. Sasser and Senator Thomas A. Daschle of South Dakota for the party's top leadership post this fall.

Mr. Sasser, 61, is 10 years older than Mr. Daschle and has served in the Senate for 18 years, 10 years longer than Mr. Daschle. As a Southerner, Mr. Sasser may have an edge among Southerners, although leadership races do not always follow regional lines.

Both have liberal-to-moderate voting records and strong partisan credentials. In its ranking of votes last year, the National Journal showed Mr. Daschle voting more liberal than Mr. Sasser on economic policy, less liberal on social policy.

#### Quote/Unquote

Ross Perot, the former and maybe future candidate for president, on a plan to bypass congressional committees to cut spending: "We have to go through this process, unfortunately, because there's no discipline on spending. We still think that we are the last superpower, that we have all the money in the world. We don't like to look at the instrument panel and see that we're running out of fuel." (WP)



TRIAL IN N.Y. SERIAL KILLINGS — Joel Rifkin, 34, who has admitted killing 17 women, dozing during the first day of testimony in his trial in Mineola, New York. Mr. Rifkin's attorney is pursuing an insanity defense in the first case against him.

Karen Wiles/Sabke/The Associated Press

## A New York Police Scourge: 'Testilying'

By Joe Sexton  
New York Times Service

NEW YORK — City police officers often make false arrests, tamper with evidence and commit perjury on the witness stand, according to a draft report of the mayoral commission investigating police corruption.

The practice — by officers either legitimately interested in clearing the streets of criminals or simply eager to inflate statistics — has at times been condoned by superiors, the report said. And it is prevalent enough in the department that it has its own nickname: "testilying."

"Perjury is perhaps the most widespread form of police wrongdoing facing today's criminal justice system," the draft report said.

The report did not try to estimate what proportion of the department had engaged in such practices, but based its judgment on the commission's two-year investigation and interviews with scores of officers.

The finding, coming on the heels of recent corruption scandals involving drug dealing and brutality, will further threaten public confidence in the integrity of the Police Department, the report said. The study also described a level of misconduct and abuse that goes well beyond what the commission had made public in an interim finding in December.

In its new findings, the Mollen Commission report also said that the number of corruption cases "buried" by the Police Department's Internal Affairs Division was more than three times greater than first suspected.

In addition, the report found that in at least two instances representatives of the police union had "tipped off" targets of inquiries. And in its discussion of false testimony by officers, the report

said that the commission "was told of officers up to the rank of captain being actively complicit in and even encouraging warrantless searches and subsequent perjury."

"This is corruption more harmful to relations between police and the public than anything the department and the city have experienced before," the document said.

Milton Mollen, the former deputy mayor who was appointed to head the commission, said that the draft report was undergoing "substantial revisions" and that the final report "will be very different."

He would not say what the revisions concerned, and he declined to answer questions about the substantive conclusions arrived at in the draft report. A copy of the report was shown to The New York Times by a law-enforcement official.

The police commissioner, William Bratton, said he would not comment on any aspect of the draft report and would reserve judgment until the final version was officially released. The final report is scheduled to be released by the end of

May. An official with the commission said that although the report was being revised, the substantive findings would not change.

The report suggests that, for all of the recent graphic cases of brutality and stealing by groups of officers in a handful of precincts throughout the city, the report said, "one major drug conviction had been dismissed after it was discovered that the police had lied about the reason for the initial arrest."

Charles Hynes, the district attorney for Brooklyn, said that police officers often tried to get around the problem of needing probable cause before making an arrest by what he called "the dropsy syndrome" — falsely testifying that a suspect "tossed a package containing white powder to the ground" as he was approached.

One commanding officer encouraged such illegal searches and arrest charges as a means of bolstering his unit's performance record," the report said.

Robert Morgenstern, the district attorney for Manhattan, said he thought the scope of the perjury problem might be exaggerated in the report. But he said he had prosecuted a handful of perjury cases against police officers recently, and that one major drug conviction had been dismissed after it was discovered that the police had lied about the reason for the initial arrest.

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While patient with the questions, she said she was mystified at all the questions over a land investment that turned out to lose money.

"It keeps getting beat like the deadest horse it is, over and over again," she said.

The real estate investment and its relationship with the failed Madison Guaranty Savings & Loan is at the center of an investigation by a special counsel, Robert B. Fiske Jr., into the Clintons' financial dealings in Arkansas.

Mrs. Clinton acknowledged publicly on Friday for the first time that she had opposed the appointment of a special counsel.

### RELIGIOUS SERVICES

#### AMSTERDAM

CROSSROADS INTERNATIONAL CHURCH (Methodist) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

FRANKFURT

CHURCH OF CHRIST THE KING (Evangelical) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

GENEVA

EMANUEL CHURCH, 1st, 3rd & 5th Sun. 10 a.m. Eusebius & 2nd & 4th Sun. Morning

MUNICH

INTERNATIONAL COMMUNITY CHURCH, Evangelical — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

MUNICH

THE CHURCH OF THE ASCENSION, Sun. 11:45 a.m. Holy Eucharist and Sunday School, 10:15 a.m. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

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ROME

ST. PAUL'S WITHIN THE WALLS (Roman Catholic) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Anglican) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Protestant) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Methodist) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Baptist) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Lutheran) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

ST. PAUL'S WITHIN THE WALLS (Orthodox) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

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ST. PAUL'S WITHIN THE WALLS (Orthodox) — 1000 Vondelstraat 9, 11 a.m. Rte 11. Via Bernardo Ruyffelaer 9, 8023 Florence, Italy, Tel: 0529 22 44 77.

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# International Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Forward Slowly on Bosnia

At this late stage in Bosnia's tragic passage, any new American initiative was bound to be a matter of increments. This is the case with President Bill Clinton's latest plan for some new measures of bombing and diplomacy in Bosnia. All the touches he mentions hinge on the approval and participation of NATO, the United Nations or Russia. His essential judgment remains that American interests in Bosnia are not so great that the United States must pursue them alone. In this judgment he is right. But it puts on him an insuperable burden to bring along the assorted partners and collaborators, and not to hide their reservations in order to mask his own.

The steps proposed are designed on the hopeful theory that nothing particularly strenuous needs to be done to bring Bosnia's Serbs back to the bargaining table and in a frame of mind to negotiate. Gorazde and the remaining UN-designated "safe areas" would be offered the protections of air power against attacks on civilian targets. Some sort of "major diplomatic initiative" would harness up Russia, which is deemed now, after being repeatedly played for a fool by the Bosnian Serbs, to be ready at least to counteract NATO bombing — although some statements out of Moscow on Thursday point to continuing ambivalence.

This is a policy fashioned on the cheap. It does not explicitly threaten to bomb Serbian targets beyond the "safe areas." Nor does it appear to anticipate the reprisals the Serbs could yet make against UN peacekeepers and international relief workers already on the ground. It does not commit the United States to take the single step — ending the international embargo on arms to Bosnia — that would enable Bosnia's self-defense and moot the question of foreign ground-combat forces. It keeps Washington exposed to the damaging charge that it asks its allies to court risks — to the peacekeepers they have dispatched to Bosnia — that the United States refuses to share.

But if hard questions can be asked about this policy, it still represents an improvement. The Clinton administration may not be driven by a large sense of strategy, but it perhaps can respond to heightened public awareness of the agony of a people. The cautions built into the new proposals may diminish their immediate impact on the calculating Serbs but may also make participation more palatable to hesitant allies. All this assumes that President Clinton is going to win the support he needs from Russia and Europe to put these proposals into effect. They might keep in mind that Serbs shelled the hospital in Gorazde on Thursday, again.

— THE WASHINGTON POST.

## Russia's Surprising Progress

Russia's economic performance is turning out to be better than Western governments expected at the beginning of the year. In response, the West has decided that it is time to take the modest risk of giving the Russians some financial support. That is the meaning of the International Monetary Fund's announcement that it has now extended a long-delayed \$1.5 billion loan.

After the Russian elections in December, with the victory of the nationalists and the defeat of the reformers, the outlook seemed very bleak. But over the following months Russian economic policy has been moving in the direction that the IMF's technocrats urged. The IMF is run mainly by the rich democracies. The big aid packages announced over the past two years, first by President George Bush and then by President Bill Clinton, included a lot of loans from the IMF and other international agencies that were never delivered because the Russians were not hitting the economic targets that the leaders required. The key one is the inflation rate.

The IMF says that any further help to Russia will be contingent on, above all, an inflation rate that descends to 7 percent a month by the end of this year. The rate was 20 percent a month in January, 11 percent in February and 7.5 percent in March. It may bounce back up again because of a burst of spending in the winter, but the IMF can

plausibly argue that the Russians are getting their economy under control.

It is still sinking. Output fell 17 percent in the first quarter of this year, and, though much of that reflects socialist factories closing down, that is a dire decline. But the IMF believes that if Russia keeps the policy promises it has made in negotiating this loan, it will begin to show real growth next year. Experience in the smaller economies of Eastern Europe and the Baltic states supports that optimism.

Russia has most of what it needs to become a rich country — not only huge reserves of oil and gas but, much more to the point, an educated people with industrial experience. The great threats to economic growth are an unsteady political system and the increasing prevalence of organized crime. Russia has been going through a revolution, and nothing in its future is certain. But its government is making more progress than seemed possible three months ago. The IMF's loan acknowledges that and, in a limited but very useful way, encourages more of the same.

— THE WASHINGTON POST.

## Respect the Haitians' Rights

The angry blast Thursday by President Jean-Bertrand Aristide of Haiti at the Clinton administration's diplomacy and its treatment of would-be refugees was not very diplomatic. But on the refugee issue at least, Father Aristide's complaints are on the mark. Using U.S. Coast Guard cutters to turn back Haitians trying to flee their violent and tormented country is cruel and discriminatory.

U.S. law requires a hearing for anyone claiming asylum. But there is a catch. Courts have ruled that applicants must reach U.S. jurisdiction before they can avail themselves of this right. Obstacles deliberately placed in their path make that harder for Haitians than for others. Now, with progress toward a diplomatic solution in Haiti stalled and terror there rising, Washington has a moral obligation to end this discrimination against desperate people.

In 1981 the Reagan administration signed a treaty with Haiti's Duvalier dictatorship that granted U.S. ships the right to intercept Haitian vessels on the high seas. President George Bush used this treaty to divert the thousands who fled Haiti after the 1991 military coup, first to the U.S. naval base at Guantánamo Bay in Cuba and later directly back to Haiti.

President Bill Clinton condemned this policy of forced return during his election campaign, but then, fearing a nativist backlash if refugees landed in Florida, continued it when he took office. Those with asylum claims were told to present them to U.S. diplomatic offices

on Haitian soil. Given the regime's bloody reprisals against critics, this may not seem a realistic option to those seeking asylum.

But there was supposed to be a quid pro quo. Early in 1993, the Clinton administration assured Father Aristide's supporters that it would move quickly on the diplomatic front to restore the ousted leader to power. Father Aristide, in turn, held off from publicly criticizing the Clinton refugee policy. But 15 months later, Washington's colonial campaign has gotten nowhere and Father Aristide is again raising his voice on the refugee issue. Earlier this month he gave six months' notice that Haiti would abrogate the 1981 treaty.

Under congressional pressure, the administration has begun to toughen its diplomacy. But it still seems determined to deny Haitians the right to have their claim heard. The Justice Department recently reinterpreted U.S. refugee law to permit the summary return of ships and their occupants without hearings even if they are boarded within U.S. territorial waters.

Instead of twisting law and decency, Washington ought to live up to American principles. Restoring Father Aristide to power without recourse to military force may not be possible at this time. Giving a fair hearing and humane sanctuary to those trying to flee a terrorist military regime a few hundred miles off the Florida coast surely is.

— THE NEW YORK TIMES.

## Other Comment

### Ominous Parallels for the UN

Is the United Nations going down the drain as a peacekeeping organization? Although it has had successes in Namibia and Cambodia, for example, it has failed in Angola and Somalia and left its job unfinished in Iraq. As it sinks into the Bosnian quagmire, the debate over its future will intensify.

Parallels with the League of Nations begin to look ominously apt. When that organization was set up after the First World War it, too, faced a world of falling empires, ethnic disputes and Balkan conflicts. It, too, lost American support — and collapsed for that

reason, opening the door to the Second World War. Without minimizing Europe's failures, UN peacekeeping is also doomed without the full engagement of the United States.

Too many members of the U.S. Congress still hanker for isolation and make a false distinction between domestic and foreign affairs, refusing to see that the prosperity and security of the United States depend on how much of the rest of the globe is friendly, democratic and prosperous. As a result, they shrink from the inevitable costs and risks of peacekeeping and contribute to the confusion in the executive branch.

— The Independent (London).

## Bosnia: The UN Has Its Masters' Vices

By Stephen S. Rosenfeld

WASHINGTON — The carving up of Bosnia — in particular, the strangling of Gorazde — is now widely cited as an ultimate humiliation for the United Nations. This, while true, is too narrow a judgment. Again the United Nations has proved its great value. Not, alas, in problem-solving, but in providing a scapegoat for the hesitations of its

vital oil supplies; are dealt with by affected nations. Second- or third-order problems, such as unrest in a place that can be set apart, are handed off to the United Nations. This is the hard logic of the international division of political labor.

I learned something about this logic from recent talks with well-placed Europeans. As always, they pine for American "leadership." But by leadership they do not mean zeroing in on Bosnia, a master they believe requires only lesser, tactical decisions to contain the damage and the fallout. They mean demonstrating a capacity not to be overly distracted by Bosnia, not to be kept from presumably more important things. Things like — this is the source of Europe's enduring neutrality — staying engaged in Europe and tending to Russia.

It is wrong to say that people here in America and governments here in Europe are disenchanted and disillusioned with the United Nations. Not very many of them were enchanted in the first place. At least the more realistic among them knew instinctively that the United Nations was only going to be assigned problems where failure was a live option.

The permanent members of the Security Council assigned the United Nations the ambitious task of somehow making things come out all right in broken Bosnia. Then they provided resources, guidance and authority wholly insufficient to allow the United Nations to do the job.

When, fulfilling many grim prophecies, the fallible men and women of the United Nations failed, its critics fell to blaming the body itself. They concluded that if a tough job is actually going to get done, the United States or this or that other interested country will have to do it on its own.

But it is late in the day for pseudotoughness. If an interested country were serious in the first instance, it would not farm out the mission to an organization vulnerable to the limitations and misgivings that typically shackle the United Nations. First-order problems, such as a threat to

Russia's most of what it needs to become a rich country — not only huge reserves of oil and gas but, much more to the point, an educated people with industrial experience. The great threats to economic growth are an unsteady political system and the increasing prevalence of organized crime. Russia has been going through a revolution, and nothing in its future is certain. But its government is making more progress than seemed possible three months ago. The IMF's loan acknowledges that and, in a limited but very useful way, encourages more of the same.

— THE WASHINGTON POST.

masters, starting with the United States. The ignominy of this role does not diminish its utility to those who exploit it.

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— THE WASHINGTON POST.

NEW YORK — After more than a year of cogitation, President Bill Clinton has revised his strategy for peace in Bosnia: bomb.

I can't get through my head that it really wants to go down in history, forever down, as Bomber Bill Will that be what it amounted to, all the idealistic Clintonism? Just bombs away, without even putting a peace plan on the table? That's it?

The desktop commandos scream joy — go Bill go, bomb, man, bomb. Surely the man is smart enough, though, to know that bombs will not make the winning Bosnian Serbs. Bombing Serbs will not make the losing Bosnian Muslims any readier to make do.

But he must have enough sense to look for an escape from the war trap into which he has led America. If so, can he phone the president of Russia and accept his idea of an emergency summit meeting. If they have the wit and guts, the United States and its allies can, with Russian help, at last come up with a plan to end the war they did so much to help start.

The West and the Bosnian sides ruined any chance of restoring a single Bosnia, so the questions are two. Who gets how much? What happens to the Muslims driven from their towns by ruthless Serbian policy?

I wonder how many Americans realize that in years of staggering and numbing ever deeper into the Balkan mess, their government never came up with a plan to end the war, not a one. All it did was rain on everybody else's plan, until Mr.

Then came the hit match — the swift Western and UN recognition of Bosnia, a nation headed straight for civil war, and a Bosnian government that did not have a prayer of defending itself against a big slice of Bosnia's own people.

Bosnian Muslims and the West knew the Christian Bosnian Serbs, armed and backed by Serbia, would fight to prevent their ancestral villages from becoming part of a new state controlled by Serbs and Croats long converted to Islam.

This is a civil war — vicious and with foreign intervention. Is there any other kind?

The West intervened by speeding the breakup of Yugoslavia and rapid recognition of Croatia and Bosnia. Serbia intervened with supplies and



By RAYMOND VAN DER GROEN (Globe) © 1994

General Boutros Ghali, anticipated these difficulties a couple of years ago and offered a solution. Tune up the United Nations in advance for the new turmoil of the post-Cold War era, he said. It was a UN bureaucrat's solution. It was derided or ignored by the best people. Their alternative solution was to cooperate up to a point with the United Nations but otherwise to reserve to each member-nation flexible powers to deal with the crisis of its choice.

We have had almost two years of testing that alternative solution. Looking at Somalia, Haiti and Bosnia, are you pleased with the results? These three leading exhibits are disaster areas. We have preserved much of our autonomy in policy-making. A disinterested doctor might say that in that sense the operation has been a success. But the patients are nearly dead.

The Washington Post.

## Before Dropping Bombs, Where's the Peace Plan?

By A. M. Rosenthal

Clinton presented the dazzling concept of peace arriving by bomb bay.

That will get the Bosnian Serbs to the negotiating table, he says. Whoever said that was the problem? Bosnian Serbs, Croats and Muslims have been there so often they have engraved namesplates on the chairs. The problem is getting them to agree to a peace plan — which will never happen as long as NATO and Russia do not give them a plan to agree to.

The plan must embody American-NATO pressure on the Muslims to grasp that they have lost a war sparked by their own declaration of independence over the objections of a 30 percent Serbian minority.

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The West intervened by speeding the breakup of Yugoslavia and rapid recognition of Croatia and Bosnia. Serbia intervened with supplies and

requisite to peace. The second was to avoid repeating the mistakes that isolated and humiliated Germany at Versailles, by integrating the former enemy into an ever closer community of European societies and states sharing responsibilities and burdens commensurate with their resources.

The D-Day anniversary could have been an occasion to celebrate the victory of democracy in Europe — all countries, after all, were liberated from Nazism, including Germany. It is natural that war veterans should be celebrated specifically, for their sacrifices were great and admirable. But there should be a wider message, positive and future-oriented, a message that cannot be conveyed if Germany is excluded.

Germany's absence from the June commemoration contradicts the successful policies of European postwar integration. Most of the Germans responsible for the tragedy are dead. Germans of all ages want to celebrate the victory of their democracy, which they owe to liberation by, and years of cooperation with, the Allies who freed them.

The "never-again" message should be backed with concrete action. As we celebrate the victory of democracy over the forces of evil, can we afford to exclude those with whom we have

been building a bulwark against a return of the past? With Europe suffering through its most severe identity crisis since the war, can we neglect the challenges of the future? Such insensitivity might endanger the delicate emotional balance on which French-German relations reside.

And by nurturing nationalist feelings, which are based partly on exclusion, it risks encouraging the rise of the extreme right in Germany.

To invite only those who landed in 1944 to the D-Day commemoration sends a signal that is in fundamental contradiction with what will take place a few days later, when the peoples of the European Union elect the European Parliament. Were the ideas and forces behind the arduous creation of the Union not genuine?

The French-German encounter slated for June 8 in Heidelberg, will not make up for the absence of Germans two days earlier on the landing beaches. French-German reconciliation is fine. But it has served mainly as a means to a higher goal: building a Europe united by democracy.

Television cameras from all over the world will be present on the Normandy beaches. The celebration in Heidelberg can only appear as a hastily organized consolation prize.

There must be a positive symbol on

## Invite Germans to Normandy, for Europe's Sake

By Dominique Moisi and Karl Kaiser

PARIS — Germany won't be the only party absent on the 50th anniversary of the Normandy landing — Europe won't be there, either.

Some have argued that D-Day is not the appropriate moment to bring Germany into the commemoration, and that a more sensible date might be May 8, 1995, the anniversary of V-E Day. We disagree.

The D-Day landing remains the most powerful symbol of the triumph of democracy against Hitler. To exclude Germany, which has become a model of democracy and a motor of European unity, from such a celebration — particularly on the eve of important European elections — is a major error.

Such an omission reveals the extent to which the European ideal is fading in the minds of political elites. It is a sad reflection on the moral state of a European Union whose recent enlargement has been barely noticed, not to mention celebrated, in an atmosphere of renationalization of European politics.

Western Europe was fortunate to have been rebuilt after World War II by statesmen who knew that they if they forgot history they could be condemned to repeat it. They aimed their policies at two goals, which produced the historical miracle of an essentially peaceful West European community.

The first was the need to establish strong democracies as the crucial pre-

requisite to peace. The second was to avoid repeating the mistakes that isolated and humiliated Germany at Versailles, by integrating the former enemy into an ever closer community of European societies and states sharing responsibilities and burdens commensurate with their resources.

The assertion raises many questions. How, to begin with, could the North Koreans surprise the combined U.S.-South Korean forces? They have an

# ULTIMATUM AND DEFIANCE / BOSNIA IMPASSE

## Serbs Seek Face-Saving Way Out as Yugoslav Army Girds for War

By Roger Cohen

New York Times Service

ZAGREB, Croatia — Confronted by the imminent threat of NATO air strikes around the Gorazde, Bosnian Serbs on Friday sought a last-ditch, face-saving formula for a withdrawal as the Yugoslav Army prepared for possible involvement in the Bosnian war.

President Slobodan Milosevic of Serbia and the Bosnian Serb leader, Radovan Karadzic, began a meeting in Belgrade with the top United Nations official in the former Yugoslavia, Yashushi Akashi, to seek agreement on a Serb withdrawal from Gorazde.

[As the talks adjourned Friday night, Mr. Akashi said that the Bosnian Serbs had agreed on a cease-fire in Gorazde, beginning at noon

Saturday. Agence France-Presse reported that the Serbs had also agreed to allow UN and aid agency personnel in access to the city, in accordance with the earlier NATO ultimatum.]

Several previous negotiations over 10 days between these parties have broken down in acrimonious disagreement, and UN officials have become convinced that the word of the Bosnian Serbs is worth little.

Gorazde lies less than 20 kilometers from the Serbian border. In the light of the growing threats to the Bosnian Serbs from NATO, the Yugoslav Army has taken "precautionary measures" and "the possibility that Serbia becomes involved is a reality," the Yugoslav foreign minister said.

Speaking in an interview in Belgrade in which he anticipated the ultimatum, Vladislav Jovanovic, the foreign minister of the rump Yugoslav state of Serbia and Montenegro, declared that Yugoslavia remained committed to the quest for a peaceful settlement.

But, Mr. Jovanovic, who speaks almost daily to the Serbian president, added: "Mr. Milosevic is greatly concerned, disappointed and dismayed at the latest developments. The new threats from President Clinton encourage the Muslims greatly in their policy of trying to bring NATO into the war."

Asked what would happen if NATO bombed bridges on the Drina River, which constitutes the border between Serbia and Bosnia, the

foreign minister said "I would not advise this to be done."

He continued: "If, as it seems, the interests bent on enlarging the war prevail, the possibility that Serbia becomes involved is a reality. When as now, the situation on the ground is dangerous, the Yugoslav Army, of course, takes precautionary measures. But this is not the course we want."

Western diplomats are convinced that Mr. Milosevic, the man who unleashed Serbian nationalism across the Balkans, does want to avert a widening of the war and is eager to rein in his rampaging brothers across the Drina. But it is not clear that he still has the means.

Mr. Jovanovic said that when the Serbian president promised the Russian foreign minis-

ter, Andrei V. Kozyrev, last Sunday that a cease-fire would take hold immediately in Gorazde, he was entirely sincere. But his attempts floundered.

Bosnian Serbian officials contend that negotiations over a withdrawal from Gorazde have failed because their troops are being provoked by Muslim forces. They also say fighting is being prolonged by the refusal of the Muslim-led Bosnian government to accept a nationwide cease-fire in the hope of drawing NATO into the war on the Muslim side.

"It could go either way," said a Western official close to the Belgrade negotiations. "By any rational, objective appraisal, the Serbs will have to find a way to comply. But there is a big irrational factor here linked to an enormous

Serbian pride, and I doubt the Serbs will do anything in the absence of a face-saving solution."

When NATO issued its ultimatum in February to the Serbs to withdraw their heavy artillery 20 kilometers from Sarajevo, the intervention of the Russian government and the dispatch of some Russian UN soldiers to the Sarajevo area allowed the Serbs to contend that they were cooperating with a Russian initiative rather than bending to NATO's will.

But the Bosnian Serbs have since angered the Russian government by failing to honor promises to the Russian special envoy, Vitali I. Churkin. It therefore seems unlikely that the Russian can offer the Serbs a graceful exit once again.

## Aggressors Boost Artillery Attacks On Bosnian City

By Chuck Sudetic

New York Times Service

SARAJEVO, Bosnia-Herzegovina — Bosnian Serbs blanketed Gorazde with artillery fire and launched fresh infantry assaults into the eastern Bosnian city Friday, ignoring a new UN Security Council resolution and reports of a NATO ultimatum demanding their withdrawal, UN officials and local ham radio operators said.

Bosnian government officials were overjoyed Friday night at the news of the NATO ultimatum that the Serbs cease their attacks on Gorazde immediately and withdraw or face air strikes.

"We express our gratitude to Mr. Clinton for taking decisive action," said Prime Minister Haris Silajdzic of Bosnia, clearly convinced that the ultimatum, which had President Bill Clinton's backing, would save Gorazde from falling into Serb hands. "We knew America would take a moral stand."

"This is not just another one of the calls to the Serbs to withdraw from Gorazde," he said in a brief interview, referring sarcastically to a series of ineffective pleas by the United Nations and the European Union for the Serbs to pull back.

Three weeks ago, the Bosnian Serbs launched their offensive on Gorazde, which the Security Council declared a "safe area" last year but took no firm steps to protect, in a clear bid to take over the entire east bank of the Drina River, which slices through the area.

### 6 Are Jailed in Madrid In Fatal '83 Disco Fire

Reuters

MADRID — The four owners of a Madrid disco, Alcalá 20, where 81 people burned or suffocated to death in 1983, were found guilty of negligence Friday and sentenced to jail terms of two years each.

In addition, the Interior Ministry official who inspected the disco was also given a two-year sentence and the electrician who approved the establishment's wiring was jailed for six months for falsifying documents. The city's safety chief was acquitted, but the court said the state should pay a total of 2 billion pesetas (\$14 million) compensation to the victims' families.

The Serbs seek control of the main road running through Gorazde, with the Adriatic Coast, and have campaigned since April 1991 to uproot the entire majority population of Muslims from the Drina Valley.

In Belgrade on Friday, the highest-ranking UN official in the former Yugoslavia, Yasushi Akashi, discussed a cease-fire in Gorazde with President Slobodan Milosevic of Serbia as well as the political and military leaders of the Bosnian Serbs, Radovan Karadzic and Ratko Mladic.

Friday's Serbian attacks came in the wake of the bloodiest 24 hours in the three-week Serbian offensive against Gorazde, with 99 people killed and 273 wounded, according to a report from a UN relief agency official in Gorazde received here Friday afternoon. The dead include seven children and 54 women and elderly people.

The UN aid agency report confirmed that Serbian shell and sniper fire killed at least four persons Friday morning in Gorazde, but ham radio reports from the town said that the death toll was certainly much higher. UN officials said that shelling resumed Friday night after a lull.

Before Friday's attacks, the known casualty toll in the Serbian offensive was 535 people dead and 1,740 wounded, UN officials said, stressing that the count is incomplete because the fighting around Gorazde has made collecting all the dead impossible. The Serbs have never made public a comprehensive casualty tally.

The UN relief worker's report from Gorazde said the Serbian artillery and sniper fire was so severe that the aid workers advised against any attempt by the United States and other countries to parachute food supplies into the city.

"Such an air drop would only draw civilians out into the open where they will be annihilated by every type of fire imaginable," the report said. "Don't read this as an exaggeration. Food is absolutely the least of the worries of the locals."

On Friday morning, two Serbian tank shells ripped into a riverside building used by UN military observers and a UN relief agency in Gorazde, the report said, adding



Sarajevo residents getting free bread Friday as humanitarian flights resumed. The city had been without food deliveries for over a week.

that three persons were killed and another three wounded in a shelling attack near the building.

The United Nations High Commissioner for Refugees office took a direct hit by a .76 millimeter shell into the windows, destroying whatever was not yet destroyed by anti-aircraft bursts earlier," the refugee agency's report said.

"Hospital has taken many impacts this morning," the report said. "The area is covered with smoke and communication is lost. The same is reported about the refugee centers near here."

In the four-hour period beginning at 8 A.M., the UN military observers in Gorazde reported 106 Serbian artillery and mortar shells landing on Gorazde, with the mostly Muslim Bosnian Army forces in the town firing back 20 mortar rounds, the report says.

The Serbs have made some incursions into the town, but the town is still in Bosnian Army hands," said Major Rob Annink, a spokesman for the UN military force.

A Bosnian Army liaison officer reported to UN military observers in Gorazde that the Serbs were attacking the villages of Ilavica, Osanica and Praca, a UN aid worker's report says. "Keep in mind the

fact of the population there as soon as this remaining area is overrun," he said.

The Serbs have carried out numerous ethnic-cleansing sweeps through rural areas of eastern Bosnia out of sight of international observers and journalists. Aid workers in Gorazde have warned for days that the Serbs might attempt next to move against the thousands of people who have reportedly fled westward from Gorazde to the mountainous areas of pockets still under Bosnian Army control.

After using a group of women and children to prevent the UN military convoy from entering Gorazde, on Friday Serbian leaders delayed the convoy from returning to Sarajevo.

A UN spokesman said the commander of the United Nations military force in the former Yugoslavia, General Bertrand de Lapresle, ordered the 141 troops and medical personnel in the convoy to turn back Friday to Sarajevo from the town of Rogatica. The Serbian police prevented the convoy from moving, the spokesman said, but UN officials here said Friday night that the Serbs had allowed the convoy to depart toward the Bosnian capital.

UN forces did call in limited air strikes last week on Serbian tanks and other weapons that were threatening their positions, but did not have the authority to ask for bombing to prevent the attack on

### ULTIMATUM: NATO Warns

Continued from Page 1

American-based in Naples, will still have to agree on specific targets with the senior commander of UN forces in Bosnia, Lieutenant General Michael Rose of Britain, before he can launch any air attacks, NATO officials said.

Mr. Butros Ghali himself would have the right to approve the first strikes around Gorazde if the Serbs did not comply with NATO's conditions, Mr. Wörner said. "But after talking with him many times in recent days, I have no doubt that we will get it if the conditions we have stated are not met," he added.

Mr. Butros Ghali told him that he would convey the terms of NATO's decision immediately to the Serbian authorities. Mr. Wörner said, and the United States would inform Russia, which has repeatedly disapproved of air strikes and said it might pull its peacekeeping forces out of Bosnia if the violence escalates.

UN forces did call in limited air strikes last week on Serbian tanks and other weapons that were threatening their positions, but did not have the authority to ask for bombing to prevent the attack on

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Although there are German nationalists who have tried to drum up support to take back Kaliningrad, both Mr. Motzku and Mr. Neufeldt are resigned to the fate of their native city.

"For 700 years this was German territory, but we lost the war," said Mr. Neufeldt. Mr. Motzku added: "I wouldn't want anyone to be harmed as we were harmed. It is not their fault that they are here."

Like other Germans looking to do business here, Mr. Motzku has found the process painfully cumbersome and slow.

Despite the region's eagerness to boost itself as one of Russia's two "free economic zones," and to prove its viability as a beachhead for European investment, there is a wariness about German capital here that only compounds Russia's own uncertain business climate.

Still, a miniboom in trade is on. Russian economic incentives, and arrangements with Belarus and Lithuania which permit tariff-free transit between Kaliningrad and Russia proper, have contributed to a three-fold rise in exports, a fivefold rise in imports and more than 200 new joint ventures in the last year.

### VOTE: After-Election Fears Rising

Continued from Page 1

included Indians and people of mixed race but excluded the country's black majority of 26 million.

He is now a parliamentary candidate of the Democratic Party, traditionally the liberal opposition to the National Party.

"We should be very clear about this," Mr. Rajab said. "People are supporting the National Party because they fear black domination."

He estimates that in Natal the

National Party will win 55 percent to 60 percent of the Indian vote, while the Democratic Party and the African National Congress will obtain about 15 percent each.

By comparison, he estimates that perhaps five years ago, the National Party would have been fortunate to get more than 15 percent of the Indian vote.

Other independent polls have shown a similar surge of support for the National Party.

### EXPLOIT: Trek to the North Pole

Continued from Page 1

When Mr. Ousland set off from Siberia seven weeks ago, his load was around 275 pounds (125 kilograms), but it is now at least 100 pounds lighter because of reduced stocks. He designed his sledge so it could be used as a boat to cross open water, but he has done so sparingly.

He can prepare meals of salmon or ham, as well as grain saturated with fat — with water for breakfast, dry for lunch — consuming 6,400 calories a day in an effort to replenish the energy he is burning. At times, he has reported, the wind has blown so fiercely that he could not see where he was placing his feet, and on one frightening occasion he stepped briefly through the ice but was protected by his waterproof footwear. The solitude, he says, has not been too terrible.

"Of course I have had some psychological down periods and have been in a bad humor, but it hasn't really been a problem," he said Wednesday.

The cold weather is the toughest because it drains your resources," he added. "My legs feel like jelly."

Two other men gave up solo, unsupported efforts to reach the North Pole this spring. Rupert Haywood of Britain, was pulled off the ice after covering 29 miles from the northern tip of Canada in 23 days. "There were daily risks to life and limb," he said after being flown out.

Mitsuro Oba of Japan, fell through the ice into the Arctic Ocean last month and used much of his fuel trying to get warm again. He, too, was flown out.

Amid the accolades, there are some grumblies that the money financing his expedition could have been better spent. Ingrid Ousland smiled at this.

"Others," she said, "say thank goodness there are still adventurers in the world."

train wagon placed on the rails of an abandoned station in Berlin. The wagon was activated by remote control after the money was placed inside it, but it stalled and went off the track.

Another late-night attempt to nab the man was foiled when a policeman chasing Dagobert slipped on dog waste.

A police source said that that policeman, who had been widely ridiculed by the media, was given the honor of arresting Dagobert in the eastern district of Treptow.

Dagobert masks and T-shirts have been selling briskly. A Berlin musician has recorded a Dagobert rap song, and a book on him is due out soon.

"It's a shame it's over," said a Berlin radio commentator. "Journalists had a lot to write about and the police had a lot of frustration."

In January, he asked that the ransom be placed in a homemade

### JAPAN:

### No Bold Moves Expected

Continued from Page 1

increasing funds earmarked this decade for public works projects.

As for deregulating an economy that is choking on bureaucratic excess and piling up the biggest trade surpluses in its history, the evidence suggests that Mr. Hata will move cautiously. Until last year, he was a loyal member of the Liberal Democratic Party, defending policies that protected domestic industries.

"Personally, he's inclined to swallow whole what the bureaucrats say," the Western official said. "And as prime minister we see little reason to think he'll break the style of showing great deference to bureaucratic opinion."

Yet Mr. Hata, who is likely to be elected prime minister by the Diet on Monday, will be under enormous pressure to placate Washington by following through on the government's pledge to deliver a specific package of economic-stimulation and market-opening measures before the G-7 meeting.

## Hata: From 'Accidental Politician' to Ultimate Tokyo Insider

By David E. Sanger

New York Times Service

TOKYO — Anyone who steps into Tsutomu Hata's apartment will see instantly that it is the dwelling of a typical Japanese salaryman: three cramped rooms, with a washing machine jammed in by the front door and a combination living-room-dining room-kitchen piled high with books and papers.

Part of Mr. Hata's popularity can be explained by the fact that he lives today much as he did when he was a bus-tour operator in the 1960s, before he became what he calls "an accidental politician."

But the selection Friday of the foreign minister to be the next prime minister and to save the governing coalition from itself was anything but an accident.

After dabbling with a rebel in the prime minister's office for the last eight months, the leaders of Japan's fractious coalition have turned to the most cautious of reformers.

His predecessor, Moriziro Hosokawa, came to office in August as an outsider boasting little

experience in the brutal backrooms of Tokyo politics; he spent much of the winter proving it. Mr. Hata, in contrast, is the consummate insider, known for a jovial, modest manner that makes him a superb deal-cutter, but an unwillingness to cross Japan's powerful bureaucrats.

The difference was striking on television Friday night. When Mr. Hosokawa came to power nine months ago, he talked of the need to

## ART

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# New View of Goya: His Small Paintings

International Herald Tribune

ONDON—A curious vision of one of the greatest Western painters is offered at the Royal Academy under the title "Goya, the Small Paintings." While it may sound at first like some goofy excuse for the greater ease with which small formats are carried, insured and borrowed, the choice effectively results in what could be called "A View From the Studio."

The small formats were either sketches done as preliminary steps, or pictures painted

## SOURREN MELIKIAN

ed by the artist for his own satisfaction. They differ vastly from the formal commissions. More than half come from private collections or museums off the beaten path, further contributing to a feeling of surprising novelty from start to finish.

This begins with the stunning portrait of the artist as a young man from a private collection. The artist is seen sideways, turning to peer at the viewer with a searching expression, both imperious and full of human understanding. The self-portrait has a Rembrandt touch to it, the palette included. So does a miniature self-portrait done around 1795-1797, which came to light for the first time since 1900, when it was auctioned at Edmund Peal & Asociados on Oct. 31, 1989. This small gem will come as a revelation to most viewers. Goya's features are drawn, almost haggard. His eyes stare at some invisible point, lost in the self-absorption of a man who had just been stricken with complete deafness. A third self-portrait shows him in his studio, circa 1794-95.

But the most striking discovery as a group lies in the series of sketches in oils quickly jotted down as preliminary thoughts for planned paintings. They sum up what mattered most to the painter — light, movement, the atmosphere these suggest. The very first picture, a sketch for "Hamblin the Conqueror Viewing Italy for the First Time From the Alps," is again, a novelty. When reproduced in 1984, it aroused considerable skepticism. Only last year did a careful cleaning remove alterations introduced by over-restoration. It shows the main area to be well preserved. The discovery of Goya's notebook from his early years in Italy proves that it elaborated an outline first done in chalk. Chiaroscuro effects inherited from Caravaggesque painting combine with an unusual palette in light tones.

A finished picture from that early period, which was perhaps started in 1771, points to the overriding importance of sculptural form and light. In "The Baptism of Christ," there is no setting. Masses of hazy color, veering from black to ochre, fill the ground. The posture of Jesus, his legs flexed, his arms raised toward his face, is almost identical to that of Adam in

a crayon sketch of "Adam and Eve Driven Out of Eden" in Goya's notebook. There could be no clearer evidence of the prevalence of form over subject in Goya's memory.

The other revelation that comes out in the oil sketches, when compared with the reproductions of the finished pictures in the catalogue, is the initial search for expressiveness that mostly gets polished away. In a sketch for "Annunciation," in the Boston Museum of Fine Arts, the angel stands in front of the Virgin, eyebrows raised over his troubled eyes drowned in shadow. Mary, who has red eyelids, seems to have been crying. All that is gone in the final version. The angel looks gravely serene, the Virgin almost happily absorbed in her reading of a Hebrew scroll.

A mix of caricature-like exaggeration and parody soon appears in the preparatory sketches. A study for "Winter," a tapestry cartoon, shows three characters in a snow storm walking with a dancing movement as they try to keep over their heads a single blanket to shield themselves. The landscape is summarily depicted like a theatrical backdrop. But great care has been brought to the faces, half grinning with pain, half-awed.

**A**S GOYA grew older, the search for expressiveness, far from taming down, intensified. The sketch for "The Miracle of Saint Anthony of Padua" is an extraordinary study in shadow theater. Barely formed figures stand out against the pale blue or white of a sky that could have been painted by an advanced Impressionist. Ghostly apparitions half melt into the clouds. Only one character clearly emerges, the standing saint towering above the crowd. The mocking perception is there, as if Goya could not help himself. A little boy straddles the railing as a man behind throws up his arms, presumably in wonder.

No trace remains of this obsessive search for gesticulation and mimicry in the finished fresco on the cupola of San Antonio de la Florida on which Goya spent 120 days. Yet, there were spin-offs to these sketches and the aesthetics they reveal. They are small pictures, not done as studies for any future works, but as finished pictures in their own right, often filled with a kind of furious snarling irony.

"The Duchess of Alba and la Beata," in which a young woman, the duchess, leans forward toward an old lady's maid is the high point of these "caprichos," or pictures of fantasy. It was painted shortly after Goya had become deaf. The old woman is scared by the red cord that the duchess dangles under her nose. She rolls her eyes as she throws back her bust, brandishing a wooden crucifix with one hand and leaning on her cane with the other. Cleverly painted in white, black and touches of livid yellow, the sketch is utterly unfunny.



Detail of Goya's "Self-Portrait in the Studio," c. 1794-95.

Yet, this is the merrier side to the pictures of private terrors in which Goya indulged. A darker strain comes out in a group of 12 paintings done on tin-plated metal sheets, about 43 by 32 centimeters. Six of them deal with the banal ferocity of Spanish life in the form of bullfighting — Goya was himself, an aficionado. The six others dwell on forms of cruelty in human fate. "Interior of a Prison" and "Yard With Lunatics" are deeply disturbing visions of sadism and suffering that to a 20th-century viewer's mind, conjure up memories of concentration camp photographs. Painted in a brownish haze, they have more than a touch of "Nacht und Nebel."

Were such compositions intended as protest by Goya, who fought every aspect of repression and injustice? We know he visited prisons. On his wife's side, there were insane members of the family in an asylum that he probably would have seen. The prison and madhouse scenes may reflect his emotions.

But the purpose of other caprichos, done later, is more obscure. They are like recurring nightmares transcribed on canvas. Some, "Gypsies Resting in a Cave," "A Plague Hospital" are Impressionistic views of figures half-seen in darkness. The latter, seen as a realist, has an evocative power in its sketchy rendition of shadowy figures that sets Goya apart from any trend in European art.

Others still, like the scenes of cannibalism, have a sick side. Occasionally, they lapse into cheap kitsch such as "The Witches Sabbath," immensely intriguing from a painter whose mastery was so complete. Was it a kind of release to this man locked up within himself? There seems little doubt that small-format painting was often Goya's form of thinking.

Toward the end of his life, while in France, to which he fled as a youthful 78-year-old, unable to suffer the stifling and bloody dictatorship of Ferdinand VII, Goya painted a series of miniatures on ivory (which implies care and consideration), paradoxically dashed off in carbon black and watercolor. "Heads of a Child and an Old Woman" (a mongolian child and a mad woman?) seem to be recollections from the madhouse. "A Seated Majo and Maja" is like an antic representation of Manet's Impressionist characters of the early 1870s, only more advanced.

"There are no rules in painting," Goya wrote to the Royal Academy of San Fernando in 1792. He broke them all, including his own. Deaf to the world's protests, like Beethoven, whom he resembled so much, the embittered idealist ushered in the modern age.

"Goya, the Small Paintings" will be at the Royal Academy until June 12, and at the Art Institute of Chicago, July 16 to Oct. 16.

## BOOKS

**THE GAME IS AFOOT:**  
Parodies, Pastiches & Ponderings of Sherlock Holmes

Edited by Marvin Kaye. 512 pages. \$24.95. St. Martin's.

Reviewed by Michael Dirda

IT was during the autumn of 19— that I first made the acquaintance of Mr. Sherlock Holmes. Re-

turning late one afternoon to my lodgings, I chanced to encounter an old school friend who had risen somewhat in the world and assumed a part-time position at the local branch library. The weather being remarkably fine for October, and my homework complete, I yielded to his entreaties that I accompany him to his place of employment. There, he assured me, awaited a remarkable volume that could not fail to arouse my interest.

To my recollection — I have,

alas, misplaced my notes for that year — the book was rather worn, with a faded red cloth spine, and evidently much read: "The Complete Sherlock Holmes" by Sir Arthur Conan Doyle. Little did I know how momentous the next few hours were to be. As I hunched over the wooden library table, the florid evening quietly faded toward night, and was replaced by what many before me have called the best of all possible worlds, that centered on 221 B Baker Street,

(by Bret Harte, O. Henry, James M. Barrie) with some of the most famous (Vincent Starrett's "Adventure of the Unique Hamlet," S. C. Roberts's "Strange Case of the Megalithic Thief") and several modern pieces, ranging from James C. Irwin's perfectly pitched "Problem of the Purple Macaws" and Ruth Berneman's rather jejune "Sherlock Holmes in Oz" to Daniel Pinkwater's ingenious "Journal of a Ghurka Physician" and Robert Bloch's vindication of Moriarty, "The Dynamics of an Asteroid."

Besides these diverting "un-canonical" tales, Kaye's anthology also reprints scholarly inquiries into several biographical crises in the life of Holmes. Jacques Barzun speculates on how the detective came to play the violin, especially when in a melancholy temper (he was taught by his talented and, sad to say, unmarried mother); Poul Anderson performs a stunning set of deductions about the unwritten tale referred to as simply "the singular adventures of the Grice Parsons in the island of Uffa" (that word "in" provides the key), and Kaye reprints his own short monograph on "The Histrionic Holmes," wherein he examines the detective's exceptional acting ability.

As for those readers who have yet to discover the Sacred Writings, one can only envy such good fortune. A better world awaits you.

Michael Dirda is on the staff of The Washington Post.

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FAX: 071-439 4053. TELE: 916 711

## auction sales

## IN FRANCE

**D DROUOT RICHELIEU**

9, Rue Drouot, 75009 Paris - Tel: (1) 48 00 20 20.

Wednesday, April 27, 1994

Room 14 at 2 p.m. - FURNITURE AND OBJETS D'ART. MILLON-ROBERT, 19, rue de la Grange Bâtie, 75009 PARIS. Tel.: (1) 48 00 99 44 - Fax: (1) 48 00 98 58

Thursday, April 28, 1994

Room 8 at 2.30 p.m. - L'ART et la FEMME and Auguste-Théodore DESCH. MILLON-ROBERT, 19, rue de la Grange Bâtie, 75009 PARIS. Tel. (1) 48 00 99 44 Fax (1) 48 00 98 58

Friday, May 6, 1994

Room 7 at 2.15 p.m. - FURNITURE AND OBJETS D'ART. ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel.: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Ketty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 59 13 - Fax: (212) 861 14 34.

Friday, May 6, 1994

Room 13 at 2.15 p.m. - 18th & 19th Centuries. FURNITURE AND OBJETS D'ART. Experts: MM. Dillière, ADER TAJAN, 12, rue Favart, 75002 PARIS. Tel.: (1) 42 61 80 07 - Fax: (1) 42 61 39 57. In NEW YORK please contact Ketty Maisonneuve & Co Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 59 13 - Fax: (212) 861 14 34.

## A Secret Picasso Muse

## Jazz-Age Luminary Linked to Paintings

By Michael Kimmelman  
New York Times Service

**N**EW YORK — A leading Picasso scholar says that hundreds of paintings and drawings made by the artist during the 1920s were inspired by an infatuation with the American socialite and jazz-age luminary Sara Murphy, and are not, as has long been thought, idealized figures or depictions of the woman who was Picasso's wife at the time, Olga.

Among the works is "Woman in White" at the Metropolitan Museum of Art.

The assertion that some kind of romance took place between Picasso and Sara Murphy is made by William Rubin, the Picasso scholar and former head of the department of painting and sculpture at the Museum of Modern Art, in "The Pipes of Pan: Picasso's Abused Love Song to Sara Murphy," an article to be published in the May issue of the magazine Art News.

"Confronting some several hundred images — many of them patently romantic — it was hard to avoid concluding that Picasso was mesmerized by Sara, indeed, enamored of her," Rubin writes.

He believes "Madame Picasso," a work in the National Gallery in Washington that Christian Zervos

— the author of the complete catalogue of

مكتبة الاعمال

# THE 1994 Herald Tribune READER SURVEY

At the International Herald Tribune it is of vital importance for us to know how our readers feel about the paper so that we can continue to produce a better newspaper. We would be grateful if you could help us by completing and returning this questionnaire. The survey results, which will be produced in a special section only, will be used by our editorial, marketing and advertising departments.

Your reply will be treated in strict confidence by RSL - Research Services Ltd, a leading independent market research company.

For each questionnaire returned, we will make a charitable donation of one US dollar to charity. The findings of the survey and analysis

of the complete and returned questionnaires to RSL using the following instructions on the reverse.

Thank you for your help.

Yours sincerely,

RICHARD MACLEAN  
CHIEF EXECUTIVE  
PUBLISHER

## YOU AND THE INTERNATIONAL HERALD TRIBUNE

### 1. Where do you usually obtain your copies of the International Herald Tribune?

- subscription delivered to your home
- subscription delivered to your office - personal subscription
- circulated copy
- buy regularly from newsagent / newsstand
- buy occasionally from newsagent / newsstand
- friend or colleague's copy
- airline / hotel copy

### 2a. How often do you usually read or look at the IHT?

- 5 - 6 days a week
- 1 - 2 days a week
- 3 - 4 days a week
- Less often than once a week

### 2b. Where do you usually read or look at the IHT? (Please check all that apply)

- At home
- Traveling abroad
- At work
- Elsewhere
- Traveling to and from work

### 3a. Does your spouse/partner read your copy of the IHT?

- Yes
- No

### 3b. And how many people in total, excluding yourself, usually read your copy of the IHT?

- One
- Three
- Five or more
- Two
- Four
- No one else

### 4. How interested would you be in reading a lengthier, magazine-type article in the IHT?

- Very interested
- Quite interested
- Not very interested

## TRAVEL

### 5. Approximately how many business air trips did you make in the last 12 months? (Count a round trip as one).

- None
- 3 - 5
- 10 - 19
- 35+
- 1 - 2
- 6 - 9
- 20 - 34
- IF NONE  SKIP TO Q6

### 6. To which of the following destinations did you fly on business in the last 12 months?

<b>EUROPE</b> Belgium / Luxembourg <input type="checkbox"/> France <input type="checkbox"/> Germany <input type="checkbox"/> Italy <input type="checkbox"/> Spain <input type="checkbox"/> Switzerland <input type="checkbox"/> Netherlands <input type="checkbox"/> Scandinavia / Finland <input type="checkbox"/> British Isles <input type="checkbox"/> Russia <input type="checkbox"/> Other Eastern European Countries <input type="checkbox"/>	<b>THE AMERICAS</b> USA <input type="checkbox"/> Canada <input type="checkbox"/> Latin America <input type="checkbox"/> <b>ASIA/PACIFIC</b> Hong Kong <input type="checkbox"/> Singapore <input type="checkbox"/> MIDDLE EAST <input type="checkbox"/> Japan <input type="checkbox"/> Taiwan <input type="checkbox"/> AFRICA <input type="checkbox"/> Thailand <input type="checkbox"/> Malaysia <input type="checkbox"/> <b>ELSEWHERE</b> Indonesia <input type="checkbox"/> China <input type="checkbox"/> Australia <input type="checkbox"/> New Zealand <input type="checkbox"/> Other Asia/Pacific <input type="checkbox"/>
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### 7a. For business trips, which class of air travel do you usually use?

<b>FOR SHORT-HAUL TRIPS</b> (Up to four hours) First Class <input type="checkbox"/> Business Class <input type="checkbox"/> Economy <input type="checkbox"/> No such trips <input type="checkbox"/>	<b>FOR LONG-HAUL TRIPS</b> (Over four hours) <input type="checkbox"/>
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### 7b. Do you belong to an airline's executive/frequent flier club?

- Yes
- No
- SKIP TO Q8

### 7c. If yes, which one(s) do you mainly use? (Please write in)

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_

### 8. In the last 12 months, approximately how many nights have you spent in hotels on business?

None <input type="checkbox"/>	8 - 14 <input type="checkbox"/>	30 - 49 <input type="checkbox"/>	75 or more <input type="checkbox"/>
1 - 7 <input type="checkbox"/>	15 - 29 <input type="checkbox"/>	50 - 74 <input type="checkbox"/>	85+ <input type="checkbox"/>

### 9. In the last 12 months, how many times have you rented a car (for business or personal reasons, at home or abroad)?

Not rented <input type="checkbox"/>	3 - 6 rentals <input type="checkbox"/>	15 rentals or more <input type="checkbox"/>
1 - 2 rentals <input type="checkbox"/>	7 - 14 rentals <input type="checkbox"/>	85+ <input type="checkbox"/>

### 10. Please indicate whether you have done either of the following in the past 12 months:

FOR PERSONAL REASONS	FOR BUSINESS REASONS
Flown in a privately chartered aeroplane <input type="checkbox"/>	<input type="checkbox"/>
Used your company's private aeroplane <input type="checkbox"/>	<input type="checkbox"/>

### 11a. Please indicate whether you own any of the following companies' calling cards, excluding pre-paid telephone cards. (Please check all that apply)

AT&T <input type="checkbox"/>	MCI <input type="checkbox"/>	Sprint <input type="checkbox"/>
Other <input type="checkbox"/>	Do not own one <input type="checkbox"/>	Skip to Q12 <input type="checkbox"/>

### 11b. How many times, on your last business trip outside your own country, did you use your calling card?

None <input type="checkbox"/>	Twice <input type="checkbox"/>	6 - 9 times <input type="checkbox"/>
Once <input type="checkbox"/>	3 - 5 times <input type="checkbox"/>	10 or more times <input type="checkbox"/>

## ABOUT YOU

### 12a. Of which country (or countries) are you a citizen? (Write in)

### 12b. In which country are you currently resident? (Write in)

### 12c. For how long have you been living in your present country of residence?

Less than 6 months <input type="checkbox"/>	1 - 2 years <input type="checkbox"/>	5 - 10 years <input type="checkbox"/>
6 - 12 months <input type="checkbox"/>	2 - 5 years <input type="checkbox"/>	10 or more years <input type="checkbox"/>

### 13. Are you?

Male <input type="checkbox"/>	Female <input type="checkbox"/>
-------------------------------	---------------------------------

### 14. What is your age?

Under 25 <input type="checkbox"/>	35 - 44 <input type="checkbox"/>	55 - 64 <input type="checkbox"/>
25 - 34 <input type="checkbox"/>	45 - 54 <input type="checkbox"/>	65 or over <input type="checkbox"/>

### 15. What is the highest educational level you attained?

Doctorate/ higher university degree <input type="checkbox"/>	University degree/ equivalent professional qualification <input type="checkbox"/>
MBA <input type="checkbox"/>	Secondary or high school <input type="checkbox"/>

### 16. Into which of the following groups does your pre-tax annual household income from all sources fall?

(Check in US\$ or write in your own currency)

Up to US \$50,000 <input type="checkbox"/>	\$150,000 to \$199,999 <input type="checkbox"/>
\$50,000 to \$74,999 <input type="checkbox"/>	\$200,000 to \$249,999 <input type="checkbox"/>
\$75,000 to \$99,999 <input type="checkbox"/>	\$250,000 to \$499,999 <input type="checkbox"/>
\$100,000 to \$149,999 <input type="checkbox"/>	\$500,000 or more <input type="checkbox"/>

Or annual income in own currency (write in)

### 17a. How many cars are there in your household, including any company cars?

- No car
- One
- Two
- Three or more

### 17b. What do you estimate to be the current cost of your main car, if purchased new (to the same specification)?

Under US \$15,000 <input type="checkbox"/>	\$40,000 to under \$75,000 <input type="checkbox"/>
\$15,000 to under \$25,000 <input type="checkbox"/>	\$75,000 or more <input type="checkbox"/>
\$25,000 to under \$40,000 <input type="checkbox"/>	

### 18. Which, if any, of these cards do you use? (Please check as many as apply)

Access/Eurocard/Mastercard (Gold) <input type="checkbox"/>	Diners Club <input type="checkbox"/>
Access/Eurocard/Mastercard <input type="checkbox"/>	Visa Gold/Premier <input type="checkbox"/>
American Express Gold/Platinum <input type="checkbox"/>	Visa/Carte Bleue <input type="checkbox"/>
American Express Green <input type="checkbox"/>	None of these <input type="checkbox"/>

### 19a. Which, if any, of the following types of investment do you or members of your household have?

Stocks and Shares <input type="checkbox"/>	Life Assurance Policies <input type="checkbox"/>
Bonds <input type="checkbox"/>	Derivative Products <input type="checkbox"/>
Government Securities <input type="checkbox"/>	Gold/Precious Metals <input type="checkbox"/>
Investment funds (including Mutual Funds/Unit Trusts) <input type="checkbox"/>	Real Estate (excluding main residence) <input type="checkbox"/>
Private Pension Plans <input type="checkbox"/>	Collectibles (art, antiques, coins, stamps, etc.) <input type="checkbox"/>
	Other <input type="checkbox"/>

### 19b. What is the approximate total value of the above and any other investments (excluding your main home) owned by you and members of your household (in US \$)?

Under US \$50,000 <input type="checkbox"/>	\$50,000 to under \$1 million <input type="checkbox"/>
\$50,000 to under \$100,000 <input type="checkbox"/>	\$1 million to under \$5 million <input type="checkbox"/>
\$100,000 to under \$250,000 <input type="checkbox"/>	US \$5 million or more <input type="checkbox"/>
\$250,000 to under \$500,000 <input type="checkbox"/>	

Please indicate which of these charities should benefit from your dollar donation:

Save the Children  Red Cross   
Worldwide Fund for Nature  Cancer Research

## A U.S. DOLLAR FROM YOU TO A CHARITY

Thank you for your co-operation. In 1991, the IHT contributed \$10,662 to charity on behalf of respondents to a similar questionnaire.

## YOUR OCCUPATION

### 20. Are you...?

Working full-time <input type="checkbox"/>	Student <input type="checkbox"/>	Not in a paid occupation <input type="checkbox"/>
Working part-time <input type="checkbox"/>	Retired <input type="checkbox"/>	Other <input type="checkbox"/>

If you are not working full-time or part-time, please skip to bottom of page.

### 21. What is the principal activity of the organisation for which you work?

Primary/Public Utilities <input type="checkbox"/>	Education <input type="checkbox"/>
Manufacturing/Engineering <input type="checkbox"/>	Legal <input type="checkbox"/>
Wholesale/Retail <input type="checkbox"/>	Medical <input type="checkbox"/>
Financial Services <input type="checkbox"/>	Government/Diplomatic Service <input type="checkbox"/>
Other Business Services <input type="checkbox"/>	Other (Write in) <input type="checkbox"/>

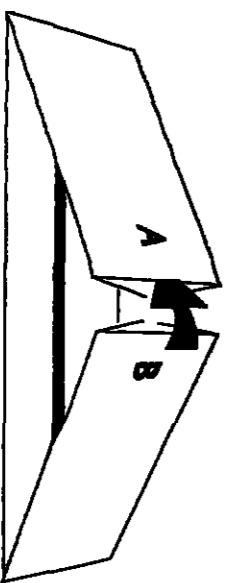
### 22. What is your job status?

Proprietor/Partner <input type="checkbox"/>	Legal Practitioner <input type="checkbox"/>
Chairman/Chief Executive/President <input type="checkbox"/>	Medical Practitioner <input type="checkbox"/>
Managing Director/General Manager <input type="checkbox"/>	Scientist/Researcher/Technologist <input type="checkbox"/>
Other Senior Management <input type="checkbox"/>	Academic <input type="checkbox"/>
Middle Management <input type="checkbox"/>	Teacher <input type="checkbox"/>
Executive <input type="checkbox"/>	Senior Government Officer/Diplomat <input type="checkbox"/>
Self Employed/Independent Consultant <input type="checkbox"/>	Other (Please give details) <input type="checkbox"/>

### 23. For which, if any, of the goods and services listed below are you wholly or partly responsible for company decisions to purchase or lease, or to appoint or change a supplier? (Please check as many as apply)

COMPUTERS/SOFTWARE <input type="checkbox"/>	Corporate Financial Services <input type="checkbox"/>
PCs/Desktop Computers/WPs <input type="checkbox"/>	Fund Management <input type="checkbox"/>
Laptop Computers <input type="checkbox"/>	Foreign Exchange <input type="checkbox"/>
Computer Peripherals <input type="checkbox"/>	Insurance Services <input type="checkbox"/>
Software/Software Services <input type="checkbox"/>	Company Credit Cards <input type="checkbox"/>
TELECOMMUNICATIONS <input type="checkbox"/>	BUSINESS SERVICES <input type="checkbox"/>
Facsimile Equipment <input type="checkbox"/>	Legal Services <input type="checkbox"/>
Telecommunications Systems or Equipment <input type="checkbox"/>	Management Consultancy Services <input type="checkbox"/>
OTHER EQUIPMENT <input type="checkbox"/>	Executive Recruitment <input type="checkbox"/>
Photocopiers <input type="checkbox"/>	Management Training Courses <input type="checkbox"/>
Company Aircraft <input type="checkbox"/>	Company Travel <input type="checkbox"/>
Company Vehicles <input type="checkbox"/>	Conferences/Exhibitions <input type="checkbox"/>
Plant and Equipment <input type="checkbox"/>	PR/Marketing/Advertising/Market Research <input type="checkbox"/>
Scientific Instruments <input type="checkbox"/>	Courier/Freight Services <input type="checkbox"/>
Raw Materials <input type="checkbox"/>	Information

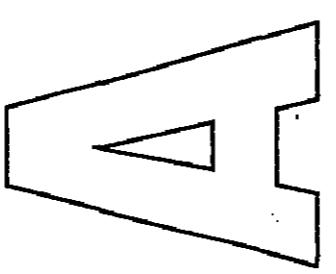
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FOLD IN SEQUENCE

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Then tuck Flap B into Flap A

SECOND FOLD

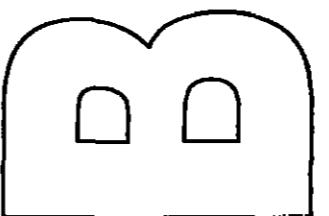


FIRST FOLD

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FOURTH FOLD



**Herald** INTERNATIONAL Tribune  
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

THE International Herald Tribune has donated around \$65,000 to charity, on behalf of our readers, in connection with periodic reader studies like this one.

PLEASE help us continue this important program by completing and forwarding the questionnaire on the reverse side of this sheet.

Our warmest thanks for your help.

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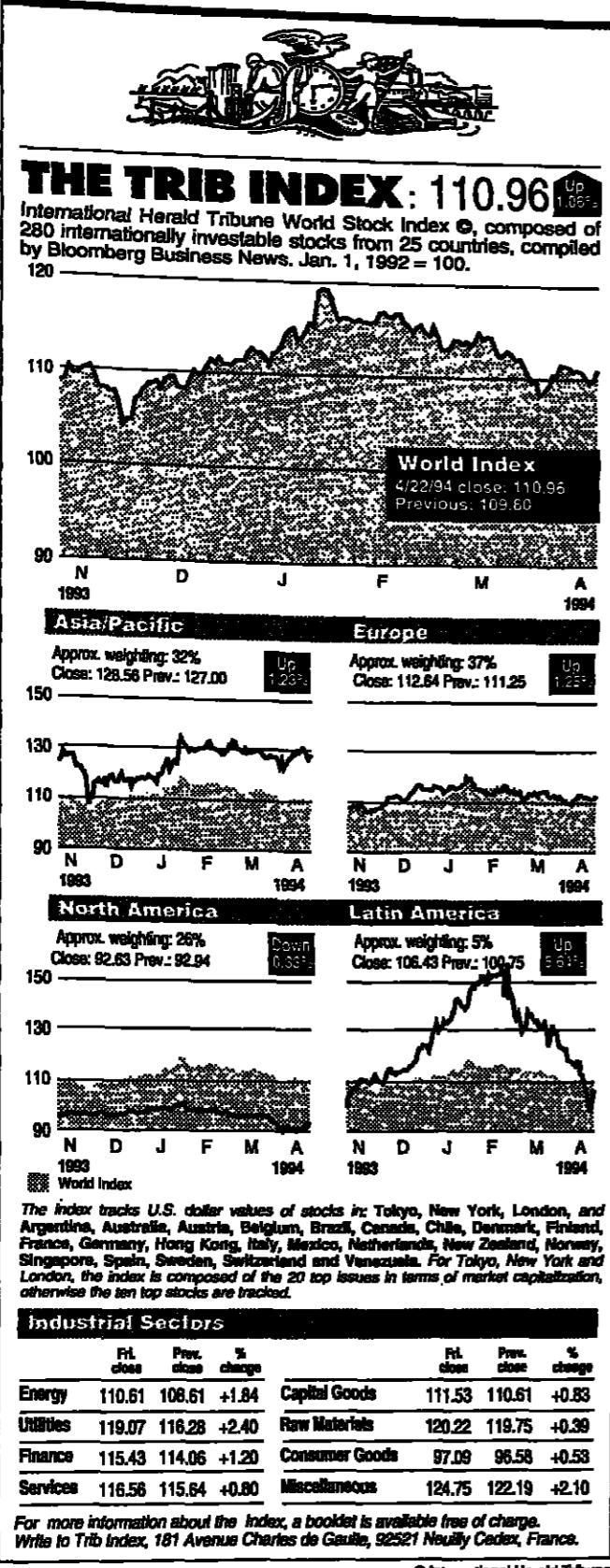
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# BUSINESS

International Herald Tribune, Saturday-Sunday, April 23-24, 1994

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The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Amsterdam, Australia, Belgium, Brazil, Canada, Chile, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the index is composed of the top 20 issues in terms of market capitalization, otherwise the top 50 stocks are tracked.

#### Industrial Sectors

Pr. class	Prev. class	% change	Pr. class	Prev. class	% change		
Energy	110.61	108.61	+1.84	Capital Goods	111.53	110.61	+0.83
Utilities	119.07	116.28	+2.40	Raw Materials	120.22	119.75	+0.39
Finance	151.43	114.06	+12.20	Consumer Goods	97.09	96.58	+0.53
Services	116.58	115.64	+0.80	Miscellaneous	124.75	122.19	+2.10

For more information about the index, a booklet is available free of charge. Write to Trib Index, 161 Avenue Charles de Gaulle, 92251 Neuilly Cedex, France.

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#### ECONOMIC SCENE

## America — Growing Apart

By Lawrence Malkin

**N**EW YORK — America's recovery may be the envy of the world, but like the country itself, growth in the land of opportunity does have a dark underside that could be its undoing if chronic social problems are not addressed.

This is the mirror image of what troubles Europe as its industrial giants struggle to slim down along American lines and disentangle themselves from the Continent's social safety net. But it also provides a preview of some of Europe's own slow-growth problems, because such reforms will cut consumer incomes and spending.

Steady earnings reports now coming from core U.S. industrial companies testify that the combination of the past year's increase in productivity and decreases in interest rates are finally paying off, at least for the top echelon in the country.

But the problems that remain are more tenuous — health care, education and welfare, and the old bugaboo of the federal budget deficit. To his credit, all three are among President Bill Clinton's top priorities, but they are far from solved.

Robert E. Rubin, Mr. Clinton's economic coordinator, warned Friday that if these problems are not tackled, "They will collide with our economy."

David Wyss, research director of DRI/McGraw-Hill, lists them as the three principal crises facing the American economy and warns that unless the first two are solved, federal borrowing will start back on its upward creep because the rising social payments are already embedded in the budget.

That would drain savings and pull down the capital investment on which some of the more euphoric projections are based.

But that is only the most dramatic of the potential time bombs. Some of the others are ticking away in the form of relatively low earnings by

workers and, for the first time, middle managers — the source of the Keynesian consumer demand that traditionally has fueled American recoveries.

"We are in an exciting, powerful and very important transition to an investment-led recovery," Stephen S. Roach of Morgan Stanley & Co. said. It is being paced by a 28 percent increase in business investment in computers, but this classic Wall Street optimist warned that "the outlook is fragile" precisely because of the lean-and-mean corporate reorganizations that have done so much for the productivity and profitability of corporations while doing so little for their workers.

This time the consumer squeeze cuts across all classes except the very rich, who have been only slightly singed by Mr. Clinton's deficit-correcting tax increases. A few statistics about productivity and the labor force:

• Productivity gains accounted for almost 90 percent of the economic growth during the first three years of this extraordinarily sluggish recovery. In previous postwar recoveries, productivity accounted for just over half, with the remainder coming mainly from consumers as income rose.

• Real, or inflation-adjusted, weekly earnings of workers dropped 11 percent during the 1980s, but consumer spending as a proportion of the whole economy rose as consumers went into debt. That cannot go on, economists agree. Even after three years of working down their debts, interest payments by American consumers still take 16 percent of what they earn.

• For the first time since such statistics have been kept, white-collar workers now account for more of the unemployed than do blue-collar workers. Moreover, staff cuts by U.S. corporations came to a record 600,000 last year — the third year

See SOCIAL, Page 8

## G-7 to Talk About Russia And Rates

Agence France-Presse

**WASHINGTON** — Recent rises in long-term U.S. interest rates, unemployment in Europe and Russia's economic troubles are on the agenda for Sunday's meeting here of finance ministers of the world's leading industrial countries.

Treasury Secretary Lloyd Bentsen said this week that he feared the rise in interest rates this year would constrain economic activity and slow the U.S. recovery.

He said he would stress to his colleagues in the Group of Seven that the American economy's recent vigorous growth had not caused inflation to pick up and that the rise in rates must be "viewed against these good fundamentals."

Mr. Bentsen also said unemployment in many European countries was "disturbingly" high and still rising and said there was still room for lower interest rates in Europe.

Japan did not settle the question of who would represent it at the meeting until Friday, when it was announced that Finance Minister Hirohisa Fujii would come to Washington after the governing coalition decided to nominate Foreign Minister Tatsuo Hata as its next prime minister.

The ministers and central bank governors will also be meeting with Russian officials to discuss Moscow's economic progress and its current problems.

better than the average Wall Street forecast of around 83 cents a share.

First-quarter earnings from chemicals rose 21 percent to \$149 million from \$123 million, as improvements in major markets led to increased demand and higher margins, Exxon said.

Exxon's production of crude oil averaged 1,749,000 barrels a day in the first quarter, up from 1,676,000 barrels a day the previous year.

It worldwide natural-gas production of 7,294 million cubic feet a day was up 3 percent.

Exxon said its worldwide production earnings had been hurt by crude-oil prices, which ended the

quarter just above \$13 a barrel and were below first-quarter 1993 prices by an average of more than \$4 a barrel. It said exploration and production outside the United States had brought in \$590 million, compared with \$568 million.

Within the United States, Exxon said, earnings from exploration and production rose to \$245 million from \$228 million, reflecting the improved natural-gas market and lower operating expenses.

Despite the drop in net, Exxon shares rose 50 cents to \$63 on the New York Stock Exchange.

Higher natural-gas prices in

North America also were behind

Mobil's profit gain, to \$535 million, or \$1.31 a share from \$490 million, or \$1.19 a share, a year earlier. First-quarter revenue at Mobil leaped up to \$15.12 billion from \$15.06 billion.

Chairman Lucio A. Noto of Mobil also credited increased natural-gas production, improved sales volume, cost-cutting programs and lower financing costs.

Earnings in its chemical division fell 29 percent, to \$15 million from \$21 million, primarily on lower profit margins for polyethylene products, which are in oversupply worldwide, Mobil said.

Mobil stock rose \$2.50 to \$78.625.

(Bloomberg, Knight-Ridder)

The yield on the 30-year Treasury bond was a bit higher at 7.23

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## Clinton Names 2 Moderates to Federal Reserve

By Lawrence Malkin

International Herald Tribune

WASHINGTON — President Bill Clinton began putting his stamp on the Federal Reserve Board on Friday with the nomination of two academic economists who are considered neither likely or capable of derailing Chairman Alan Greenspan's plan of gently braking the U.S. recovery by tightening short-term interest rates.

He named Alan Blinder, a Princeton University professor who is a member of his Council of Economic Advisers, as vice chairman of the board, and Janet L. Yellen, a professor at the University of California.

[Mr. Blinder said after his nomination that he saw no sign that inflation was gathering steam, AFP-Exel News reported. "The signs of an imminent acceleration of inflation just aren't there," he said. "You have to look pretty hard and be pretty creative to find anything that would indicate any sizeable increase in inflation over the next couple of years.]

Ms. Yellen described herself as a "nonideological pragmatist" and said the Fed's policies "should inspire the confidence of the business community, creating a favorable environment for investment and long-term job creation."

The nominees, who now face Senate confirmation hearings, will fill two vacancies on the seven-member board. They will represent an even smaller percentage of the 12 members of the Federal Open Market Committee, which adds five regional bank presidents for its meetings every six weeks to set the course of monetary policy.

Robert E. Rubin, who as White House economic coordinator played a principal role in the choices, said he was sure "the bond market will be very happy" about the nominations, and indeed investors hardly reacted because the two names had been widely leaked as a way of testing the markets, which have been nervous since the Fed began raising rates on Feb. 4.

The yield on the 30-year Treasury bond was a bit higher at 7.23

percent, and stocks showed little change.

Mr. Blinder, one of the academic economists who advised Mr. Clinton during the election campaign in 1992, joined the Council of Economic Advisers as its macroeconomic specialist after Mr. Clinton became president. He has largely been responsible for the White House economic forecasts, which have generally proven correct to the percentage point or closer, in contrast to those of the previous Republican administrations, which often overstated growth forecasts to give a rosy picture of revenues.

Mr. Blinder has accepted the lack of stimulus implied by Mr. Clinton's deficit-reduction campaign and made no attempt to argue for an extra push when the recovery was slow in delivering new jobs last year. Lyle Gramley, a former Fed governor who is the economist for the Mortgage Bankers Association, said: "I don't expect these people to go over there with a bias toward inflation. Both are middle-of-the-road Democratic economists."

Maria Fiorini Ramirez, who heads her own Wall Street consulting firm, said she believed the Fed would keep to its present course regardless of the arrival of the two appointees — the first appointed by a Democratic president since 1980.

Few economists, including Mr. Blinder, believe the old tradeoff between unemployment and inflation has much meaning any more. The nominees could help prevent the Fed from overdoing its policy of slowly raising rates this year, but they do not have the clout to stop it even if they wanted to.

As vice chairman, Mr. Blinder will be more involved in the daily administration of the vast Federal Reserve System and less in seconding Mr. Greenspan on policy questions than his title implies. Although it would also seem to put him in line to succeed Mr. Greenspan when the chairman's second term expires in March of the election year of 1996, there is little historical precedent for that, especially since the head of the nation's central bank has to be acceptable to Wall Street.

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## MARKET DIARY

## Oil Stocks' Rise Fails to Lift Dow

Bloomberg Business News

NEW YORK — Oil-company stocks rose Friday as a result of higher crude prices and relatively strong earnings, but they were offset by slumping utility and bank stocks as interest rates kept moving higher.

The Dow Jones industrial average fell 3.86 to 3,648.68; the average lost 12.79 points for the week despite a 53-point gain on Thursday.

Among smaller shares, the Nasdaq Composite Index gained 3.83.

## U.S. Stocks

to 722.56, boosted by gains in Amgen and technology stocks.

Almost 11 stocks advanced for every 8 that fell on the New York Stock Exchange, where volume dropped to 257.7 million shares from 378.7 million on Thursday.

Texaco, Chevron and Exxon climbed as Texas crude oil for June delivery rose 47 cents a barrel, to \$17.10, its high since Nov. 4. Exxon and Mobil also reported better-than-expected earnings.

The main catalyst for the rise in the oil price was civil disturbances at Nigeria's Forcados field, which forced the operator, Shell Petroleum Development Co., to declare force majeure.

Among oil companies, Mobil rose 2 1/2 to 784. The company said first-quarter net income rose to

\$1.31 a share from \$1.19, above analysts' estimate of \$1.12 a share. Exxon gained 1 1/2 to 63. The company said net income fell to 92 cents a share from 94 cents, surpassing analysts' forecast of 83 cents.

Texaco surged 1 1/4 to 65 and Chevron added 1/4 to 904.

Traders said the bond market is still finding its feet after the Federal Reserve Board pushed up the interest rate on overnight interbank loans on Monday to 3.75 percent, the third increase this year. Yields on 30-year Treasury bonds rose to 7.23 percent from 7.21 percent.

Small increases in interest rates contributed to weakness in utility and bank stocks, traders said. Both groups are considered to be sensitive to the direction of rates.

Pacific Gas & Electric fell 1 1/4 to 27 1/2 and Northern States Power dropped 1 1/4 to 42.

BankAmerica dropped 1 1/4 to 44 and Chase Manhattan fell 1 to 33.

Amgen, a biotechnology company that gained 42 to 42, reported stronger-than-expected first-quarter earnings of 66 cents a share, up from 55 cents a year ago.

Zebra Technologies collapsed 6% to 264. The maker of computerized label and ticket printing systems earned 35 cents a share in the first quarter, up from 30 cents a year ago but beneath analysts' estimate of 39 cents a share.

## Dollar Slips Slightly On Eve of G-7 Meeting

AFP-Exel News

NEW YORK — The dollar softened slightly against major currencies on Friday on the view that the Group of Seven finance ministers' meeting this weekend would not decide to support the currency, dealers and analysts said.

The dollar closed Friday at

1.6882 Deutsche marks, down from a closing rate on Thursday of 1.6905 DM, and slipped to 103.240 yen from 103.680 yen.

"People here had expected the G-7 to at least provide some tacit support for the dollar against the yen," said Win Thin, analyst at MCM CurrencyWatch. He added that the dollar fell after U.S. Treas-

ury Secretary Lloyd Bentsen said no statement on foreign exchange would come out of the meeting.

"That statement made clear that there would be no such support, leaving the market to test the downside of dollar/yen," he said.

A Banque Nationale de Paris dealer said that the dollar has weakened against the mark and the Swiss franc on the back of its fall against the yen.

"The dollar/yen led dollar/mark higher earlier in the session, but we seem not to be expecting much to come out of the G-7 that would benefit the dollar, so we came back and tried the downside," he said. "Technical trading is dominating market activity rather than any fundamental view."

The mark weakened slightly against other major European currencies and against the yen as profit-takers cashed in on the mark's strong recent gains.

Against other currencies, the dollar slipped to 5,7860 French francs from 5,7960 francs and fell to 1,4325 Swiss francs from a close of 1,4335 francs on Thursday. The pound, however, fell to 51,4895 from 51,4910.

For investment information

Read the MONEY REPORT every Saturday in the IHT

## WORLD STOCK MARKETS

Agence France Presse April 22

Close Prev.

# Bonn Says GDP Likely to Rise 1.5% in 1994

Reuters

BONN — German economic growth in 1994 could be at the high end of government forecasts and unemployment is unlikely to return to its post-war record of over 4 million, Economics Minister Günter Rexrodt said Friday.

In the latest display of government optimism about the economy in a major election year, he said his forecasts of West German gross domestic product growth of 0.5 to 1

## French Dismiss Fall Of 1% in '93 GDP

Reuters

PARIS — France's economy contracted by 1 percent in 1993, which means the recession was much deeper than previously thought, according to figures released by the national statistics office on Friday.

In its previous estimate, at the end of February, the statistics office, INSEE, had put the drop in gross domestic product at 0.7 percent.

The Economy Ministry moved fast to rip in the bud any fears that the figures may have raised about recovery this year. An official said there was no need to alter the government's forecast of 1.4 percent growth in 1994, especially since the economy has been more robust than expected so far this year. "If there is any revision, it certainly won't be downward," the official said.

percent and pan-German growth of up to 1.5 percent were realistic.

The decline in first-quarter growth, which some economists had predicted because of energy tax increases and rises in social security contributions, appeared not to have materialized and pan-German growth of at least 1 percent this year seemed assured, analysts said.

The opposition Social Democrats, who are leading in opinion polls ahead of elections on Oct. 16, said the government was exaggerating the extent of the improvement.

"This is not a recovery for everyone, it is a welcome, but far from adequate, pickup in parts of the export industry," said Oskar Lafontaine, deputy leader of the Social Democrats.

The Federal Statistics Office released figures showing Germany had a February current account deficit of 4.8 billion Deutsche marks (\$2.84 billion), up from a revised 2.7 billion DM in January, while the trade surplus was little changed at 5.7 billion DM.

Economists said the data showed that exports, which the government hopes will pull Germany out of its worst post-war recession, were continuing to improve, but slowly.

### ■ Producer Prices Rise

Producer prices in Western Germany rose 0.1 percent in March from February and were up 0.3 percent from a year earlier, the Federal Statistics Office said Friday. Bloomberg Business News reported from Wiesbaden.

## Inchcape PLC Emerges As Hogg Group Buyer

Bloomberg Business News

LONDON — Inchcape PLC, an international services and marketing concern, said Friday it planned to buy the insurance broker Hogg Group PLC for £176.6 million (\$264 million).

Inchape said it planned to merge Hogg Group with its own insurance brokerage, Bam Clarkson Ltd. It said the transaction would create the world's seventh-largest insurance bro-

ker, and it plans to sell part of the new company in a public offering by 1997. Inchape said it would retain a majority stake in Bain Hogg Clarkson.

The announcement followed more than two weeks of speculation over the identity of bidders for Hogg Group, whose stock price has soared since it said on April 6 it was being courted by a number of companies.

## Russia: Only Better, Not Yet Good

### Inflation Slows, but Big Policy Decisions Remain

By Steven Erlanger

New York Times Service

MOSCOW — The decision by the International Monetary Fund to grant Russia a long-delayed \$1.5 billion loan, and its statement that discussions might start soon on a \$3 billion standby credit, is important recognition that the new centrist Russian government, even without its best-known reformers, is working to slow inflation and stabilize the economy.

But Mr. Chernomyrdin, who had spoken for January of the need for much higher government spending and inflation, has taken to heart the West's main concern: inflation and the budget deficit. He has pushed the central bank director, Victor V. Geraschenko, to rein in credits and keep interest rates above the inflation rate.

Mr. Geraschenko, a political survivor, owes his job to Mr. Chernomyrdin and no longer has the old Congress of People's Deputies to rely upon. At the same time, he and Mr. Chernomyrdin no longer have Mr. Gaidar to blame.

But the decision is also a kind of prayer that the government can adhere to its tight policy on spending despite growing pressure to ease up in politically volatile Russia, where most people fear unemployment more than they fear inflation.

On the bright side, the monthly rate of inflation has been under 10 percent for two months now, a major drop from the 22 percent recorded in January and the monthly average of about 20 percent in 1993.

Just as important, the Russian central bank, which flooded the economy with cheap credits and loans last year to keep inefficient industry and agriculture afloat, is obeying the government's instructions to keep a tighter rein.

The IMF loan is an important victory for Prime Minister Victor S. Chernomyrdin, who had to lobby hard for it, especially after the government's best-known economic reformers, Yegor T. Gaidar and Boris G. Yeltsin, quit in January. Mr. Yeltsin predicted disaster, and some leaders and investors in the West panicked.

Mr. Chernomyrdin, a former manager of state industry, has brought no real coherence to economic policy, he has so far resisted pressure from his natural allies in the military, industry and agriculture to open the spigots of government spending.

Chernomyrdin is doing his best, and we want to encourage that and hope that he can keep it up," a senior Western diplomat said. "After all, if he fails, look at the alternatives."

The West has also decided that since Mr. Chernomyrdin is no Westernized reformer and represents the responsible center as well as the old Soviet industrial-bureaucratic elite, he keeps the new Parliament more favorably disposed toward President Boris N. Yeltsin.

Mr. Chernomyrdin and Mr. Gaidar's replacement, the reformist economist Alexander N. Shokhin, regularly admit that the government is trying to hug a precipice between the hyperinflation that would result from big subsidies and the mass unemployment that might result from too little government aid.

Western officials emphasize the bright side in public, but there is considerable concern.

In fact, credit for the decline in inflation is due almost entirely to Mr. Yeltsin and Mr. Gaidar. The February and March figures reflect spending and credit decisions made in November and December, when they were pressing an extremely tight credit and fiscal policy to try to win the IMF's approval.

Their policies resulted in factory layoffs, furloughs and unpaid salaries — policies that strengthened Mr. Chernomyrdin in the election.

Those problems continue with varying severity, and they contributed to an official drop of 23 percent in industrial production from the first quarter of last year.

That figure is exaggerated, since companies have an interest in underreporting production and the numbers do not include new private sectors of the economy, but it agitates politicians.

Whether Mr. Chernomyrdin can hold the line — or will even try to do so now that the IMF loan has come through — remains unclear. The pain resulting from tighter budgets and credits will grow, bringing louder howls from the military, collective farmers and still-bloated enterprises.

The second big worry, said Charles R. Blitzer, a World Bank economist here, was "the lack of a clear strategy on economic restructuring," both in promising sectors such as banking, which needs to grow, and in ailing sectors such as the coal industry, which needs to shrink.

The biggest challenge remains how to shrink the industrial sector without causing social unrest. On this, Mr. Blitzer said, there has been "no great progress" yet. While linking a social safety net to restructuring remains a goal, no strategy has been chosen or a fiscal policy to try to win the IMF's approval.



## Ciga Share Surge Snags ITT Takeover

Bloomberg Business News

MILAN — A share issue that was intended to clear up the debt of Italy's Ciga Hotels SpA and transfer its ownership to ITT Corp.'s Sheraton hotel chain appears to have gone so well that the \$535 million purchase is now in danger for ITT. "We have an agreement."

Sheraton also recalled all of its employees who had been overseeing the transition process at Ciga's 33 hotels throughout Europe.

Under an agreement worked out in February between Sheraton and Ciga's bank creditors, the banks were to subscribe to a Ciga share issue and then sell the shares at a loss to Sheraton, recouping at least 75 percent of their loans.

The share issue was open to all Ciga shareholders. But with Ciga's share price at the time sagging after four straight years of losses, only the banks were expected to take up the issue.

share will be void if it cannot get 50.1 percent.

Sheraton said the planned purchase was in danger but that it would not increase its offer.

"I guess some people there are in for a rude awakening," said Jim Gallagher, a spokesman for ITT. "We have an agreement."

Sheraton also recalled all of its employees

who had been overseeing the transition process at Ciga's 33 hotels throughout Europe.

Under an agreement worked out in February between Sheraton and Ciga's bank creditors, the banks were to subscribe to a Ciga share issue and then sell the shares at a loss to Sheraton, recouping at least 75 percent of their loans.

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The new shares were to be issued at 1,000 lire per share when Ciga was trading at 840 lire per share. The banks were to sell the shares to Sheraton at about 740 lire a share.

But word spread through the Milan stock market that a bid from another group might be coming, since after the share issue Ciga's debts would be gone and the company would be a more interesting investment.

"Suddenly, the rights started selling like mad," said Luca Comi, an analyst at the Inter-EuropaSip brokerage in Milan.

The shares closed Friday at 1,169 lire after 13.8 million shares changed hands.

"We are hopeful that this transaction can be ultimately concluded in the way originally anticipated by all parties," said Rand V. Araskog, chairman of ITT.

## FOOD: Giants Look Far Afield

Continued from Page 7

on which the big food companies depend.

In the emerging markets the cycle is still in its infancy. There, branded products still represent a guarantee of quality. "There people almost aspire to buy brands," said Mr. Elston of James Capel. There the job of the food companies is not to defend their labels but to establish them. Kees Van der Graaf, spent four years doing just that for Unilever in Asia before he recently returned to head the company's food operations in Switzerland.

He successfully established Unilever's ice cream brands in China. "We sell ice cream in very modern pushcarts and we build brand loyalty based on clear product phases," he said, noting such things as the hygienic conditions it is produced under, as well as constant refrigeration.

Simple considerations like those and an absence of modern competi-

tors have enabled Western food companies to command a premium price for their products. At Unilever that has meant that while the company last year had operating margins of 9.8 percent in Europe, they were 12.8 percent in rest of world markets.

By rushing into emerging markets to take advantage of the superior growth there, the food companies themselves provide a vital link in a virtuous circle. They provide the jobs and the incomes to boost growth. Again the contrast with their home markets are vivid.

As he announced more job losses and more restructurings in Unilever's operations in the developed world recently, Sir Michael Perry noted that in some parts of the world his company would actually be hiring.

"If growth in the future is coming from the Chinas and Indias of the world then that is where the job gains will be," he said.

## UAP to Raise \$518 Million

Bloomberg Business News

PARIS — France's largest insurance company, Union des Assurances de Paris SA, plans to raise about 3 billion francs (\$518 million) in a capital increase on the eve of its sale to the private sector.

The amount to be raised is determined by the French state, which is still UAP's majority shareholder.

UAP's chairman, Jacques Friedmann, has said the cash will be used for investment and to complete the purchase of the non-French opera-

tions of Groupe Victoire, which it bought from Compagnie de Suez SA last year.

The sale of UAP should bring in more than 20 billion francs for the state. Investors who subscribe before the pricing will have the right to cancel their orders if they do not approve of the pricing.

The French state is also selling 86 million UAP shares, offering half to the French public and half to international and foreign investors.

Shares in UAP rose 4 francs on Friday on the Paris Bourse.

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# SEC Prescribes Global Approach To Derivatives

Compiled by Our Staff From Dispatches

TOKYO — Arthur Levitt, chairman of the U.S. Securities and Exchange Commission, said Friday he hoped the Group of Seven industrial powers would emphasize cooperation in overseeing the trading of derivative financial instruments.

"No one nation can adequately protect the interests of our financial communities without reference to the others," he said before leaving Saturday for Hong Kong and China. "Hopefully, the G-7 will make it a priority."

Ministers and central bankers from the G-7 countries — the United States, Japan, Germany, France, Britain, Italy and Canada — are scheduled to meet over the weekend in Washington.

Mr. Levitt, in Tokyo for talks with Japanese and British regulators, said it was too early to know if international regulations on derivatives trading should be strengthened. "That is something that will follow greater understanding of what products are involved, how they are traded and the extent of cross-border transaction," he said.

Financial derivatives, so called because they are derived from other instruments, include futures, options and swaps based on currencies and interest rates. They are controversial largely because of the vast

sums invested in them in recent years and because they escape traditional regulatory frameworks.

During their talks in Tokyo, the regulators from the United States, Japan and Britain signed an analysis and coordination agreement.

He said the three nations are to study the derivatives market with an eye to issuing a set of recommendations for a "methodology" to increase its transparency. Mr. Levitt said it will then be determined "whether or not a regulatory response is appropriate."

Attending the meeting were officials from Japan's Securities Bureau, its Securities and Exchange Surveillance Commission, the SEC, and Britain's Securities and Investment Board.

An official of Japan's Finance Ministry said the representatives had agreed closer attention must be paid to risk management, especially by brokers. However, no specific schedule or plan was discussed, the ministry official said.

Mr. Levitt said Japan's derivatives market was underdeveloped compared to those in the United States and Britain. But he added: "I believe derivatives will become an important factor in the Japanese market in a very short period of time." (APB, Bloomberg, Reuters)

## Shanghai Rally Ends in Fizzle

Reuters

SHANGHAI — A brief Shanghai stock rally fizzled Friday, capping one of the worst weeks in the three-year history of the market.

After three days of sharp falls, the class-A-share market, exclusively for Chinese investors, was overwhelmed by selling pressure.

The A-share index dropped 2.98 percent on Friday to end at 580.01. The index has now lost 65 percent of its value since its high in February last year.

## Korea Bank Chief Offers to Quit in Telecom Affair

Reuters

SEOUL — The president of Korea Exchange Bank offered Friday to resign in the growing controversy over this week's share auction of state-owned Korea Telecom.

The state-backed bank held the auction of the 5 percent stake in Korea Telecom on Monday and Tuesday, with the bank itself taking part in bids for 14.4 million shares offered.

The finance ministry ordered the Office of Bank Supervision, an oversight agency, to investigate the bank, voicing suspicion that bank manipulated bidding prices.

"There is a suspicion that Korea Exchange Bank lowered its bidding price after the auction was closed," a ministry statement said.

The bank's president, Huh Joon, said later that the bank had bid at 34,800 won (\$43.11) per share which, as turned out, was the eventual strike price — the lowest price at which applications for shares were successful.

Mr. Huh said he feared this would invite controversy and told his staff to change the auction record so the bank could be seen to have made a lower bid of 34,600 won. This effectively lowered the

strike price to 34,700 won and made the bank's revised bid unsuccessful.

"We applied shares at 34,800 won but later I was told that the lowest successful bid price was set at 34,800 won," Mr. Huh said. "Then I directed my staff to indicate we had failed in the auction because we applied at 34,600 won."

He added, "I will resign after the honor of the bank is restored through investigation."

Critics said the irregularities resulted largely from the government's decision to allow the han-

gong government to take part in the auction.

"Even though the Korea Exchange Bank was successful in the auction," a securities company researcher said, "there would have been nothing illegal under the given rule. But it might be a matter of a common sense."

When the government sold a 10 percent stake in Korea Telecom last October, applications were limited to individual investors. This resulted in undersubscription. The finance ministry had to fix the price and made Korea Telecom

employees and pension funds underwrite the shares.

This week, the ministry allowed all institutions except securities houses and investment trusts to apply. The ministry also set the minimum bid price at 29,000 won.

"The current method needs to be reviewed before the next auction," said a researcher at the Samsung Economic Research Institute.

Two more auctions are scheduled by early next year for the sale of a 15 percent stake in Korea Telecom as part of the government's privatization program.

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## MONEY

## FIRST COLUMN

Hedge Funds:  
Stop the Rush  
To New Rules

**T**HE U.S. Congress has been holding hearings into the activities of so-called hedge funds to try to determine whether they can and should be regulated. The use of the House Banking Committee is understandable. These private pools, which escape the scrutiny given to mutual funds, can commit to the markets many times the value of their assets through speculation in derivative instruments and liberal use of bank financing. By some estimates, managers have \$2 trillion at their disposal.

That is a worrisome amount of money. What lawmakers fear first is volatility in the markets. Several bouts of turbulence in currencies and European bonds have been blamed on huge bets — some won, some lost — made by hedge funds. The second and bigger fear is that the swings become so violent that the health of some large banks is put in jeopardy.

Funds can be so leveraged and can lose so much that their problem becomes the problem of the banks that lent them the money to speculate. Even a big win can be a big disaster, too. Banks often custom-design derivatives for institutional traders and then take the other side of the trade. Their clients' gains become their losses.

The fear of the legislators is justified, but not their reflex to legislate. It has yet to be shown that markets are any more volatile today than in the past, or that derivatives trading and other highly leveraged forms of speculation are the cause.

Hedge funds began to attract attention when they ganged up on the Italian lira and British pound in 1992. While the currencies were driven from the European exchange-rate mechanism, it is now clear they were headed in that direction anyway. The funds just made the trip a little faster.

Lately, managers have not been as good or as lucky at figuring out market trends. Earlier this year, they backed the dollar against the yen and lost the bundle. The same thing happened when they bet on a rise in European bonds. That shows that no investor, even the biggest, can move a market where it does not want to go for any length of time.

Marks can be distorted, but they bounce back. Banks are more fragile. It is the role banks play in the activities of hedge funds that presents the biggest worry, especially derivatives trading, which does not show up on their balance sheets. The concern is genuine, but banks are already monitored quite closely and must meet standards of capital adequacy. As financial institutions and publicly traded companies, they must exercise prudence in taking risks as well. An increase in regulatory surveillance of banks or large financial speculators may force them to conduct their business offshore, where it would be even harder to control.

While the lawmakers' efforts may be admirable, if only as a means of drawing attention to this high-stakes game, they should be happy with the safeguards already in place and resign themselves to a simple fact: People who are entrusted with large sums of money will sometimes do very dumb things with it. This is something Congress should be familiar with.

C. de A.

By Rupert Bruce

**W**HILE COMMERCIAL real estate has only just begun to crawl back from the deeply depressed levels of the major-market recessions, many investors have been buying in earnest for some time.

Some professional investors even foresee bumper returns over the next few years on their faith that property prices will rise, vacant space will dwindle, and rents will climb.

George Soros, the market guru who made headlines last week by telling the U.S. Congress's House Banking Committee that he favored "maximum supervision and minimum regulation" over hedge funds such as his \$11 billion Quantum Fund, apparently intends to profit from the possible trend.

He has launched two commercial real-estate funds in the last year or so: The Quantum Realty Fund, a vehicle for investing in the United States and Canada, and The Quantum U.K. Realty Fund, for investing in Britain.

Each fund is run as a joint venture with a local property company. The Quantum Realty Fund with Reichmann International, the new venture of Paul Reichmann, former head of the failed real estate giant Olympia & York Developments Ltd., and the Quantum U.K. Realty with British Land PLC, headed by John Ritblat.

In March 1993, when the Quantum Realty Fund was established, both Mr. Soros and Mr. Reichmann stated their belief that this was a good point in the real-estate cycle for investors to start buying commercial real estate.

"We believe that now is a time of great opportunity to begin to assemble a prime portfolio of commercial real estate at a prime value," Mr. Soros said.

More technically, Mr. Reichmann explained: "The oversupply of first-tier commercial real estate in many of the major commercial centers of North America has created a unique opportunity for long-term real estate investors. Our strategy for the fund will be to purchase assets with reasonable current rates of return and which promise significant appreciation over the long term as the real-estate market slowly recovers."

The Quantum Realty fund's first major acquisition took place last September, when

## Real Estate Investment

Page 13

Residential property in Paris, London and Los Angeles  
International mortgage brokers

it bought \$634 million in foreclosed real estate and underperforming mortgage loans from Travelers Corp., the insurance company.

But Mr. Soros may be just the best-known of many who think that low real-estate prices are a good opportunity now. Analysts say that legions of investors — some might say speculators — are searching for bargains in the United States, Britain and Continental Europe. The common belief is that although commercial real-estate prices have started to rise in many places, there are still plenty of gains to be made.

Gary Barth, managing director of Jones Lang Wootton U.S.A., a branch of the international real-estate company, said that "good" commercial property in the United States had fallen by about 30 percent since 1989, while "bad" property had dropped as much as 70 percent.

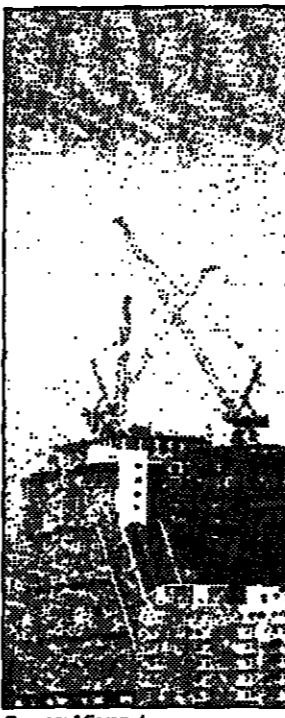
"A good Manhattan office building can capture all of that 30 percent back over the next three to four years," said Mr. Barth. "How far it goes beyond that depends on how long the recovery lasts."

Britain has experienced perhaps the strongest rebound so far, boosted largely by foreign buying following the exit of the pound from the European exchange-rate mechanism in September 1992.

Since May 1993, the Richard Ellis Monthly Index — which measures the market value of offices, shops and warehouses in Britain — has climbed 20.1 percent.

In Continental Europe, however, prices are still falling in some countries. The Richard Ellis European Property Index, excluding Britain, has fallen 3.2 percent in the last three months.

This is all a result of what is sometimes referred to as the "Hog Cycle." First, high rents induce investors to begin construction. But supply eventually begins to outstrip demand, causing rents to fall and capital values to tumble. Finally, a period of relatively little construction — like that experienced by



Source: Micropal

many Western countries for the past several years — leads to undersupply and a rise in prices.

The problem for the private investor is how to access this. In most countries, the most common property funds invest in property shares quoted on major exchanges. But shares have been rising everywhere in the West for some time in anticipation of an overall recovery in property values that has generally yet to happen.

Perhaps the most extreme example is the United States, where the NAREIT Equity Index has risen each year since 1991. This measures the performance of Real Estate Investment Trusts, or REITs, which both develop and invest in property, and can be bought either through a stock exchange or a mutual fund that invests in them. In contrast, the Russell NCREF Property Index, which tracks the value of over 16,000 commercial and residential properties nationwide, has yet to show a gain this decade.

There is a similar situation in Britain and Europe, where property shares and the in-

## International Real Estate Funds

Performance of leading internationally domiciled funds investing in real estate through April 4, 1994. Value of \$100, income reinvested, excluding costs.

	One year	Three years	Five years
CIBC-CEF Pacific Prop Shares	145.71	176.88	176.88
Capital House Property Shares	144.59	113.15	113.15
Abrutis Property Share	144.22	117.36	117.36
Royal Life Int'l Property	138.77	81.81	81.81
PanEuroLife Int'l Real Estate	134.03	138.81	138.81
Norwich Property	132.05	—	—
Nomura Sectordix: Real Estate	124.38	119.71	119.71
Gestion Sicavimmo B	122.76	133.14	133.14
Gestion Sicavimmo A	122.66	132.91	132.91
Universal: Sector Select: Real Estate	122.56	114.54	114.54
MDM Immobilier	122.25	137.32	137.32
Principles Selection	121.05	141.66	141.66
et al. (aka: Index Open: Real Estate	120.82	108.46	108.46
et al. (aka: Index Open: Real Estate	119.17	—	—
Aspinwall: Real Estate	111.75	119.95	119.95
Rodamco	108.65	115.05	115.05
AGF Fonds Immobiliers	107.47	114.57	114.57

vestment funds that own them have shot up ahead of the physical property itself.

Some analysts say that the best route into commercial property, now that shares have already moved upward, is by way of an "open-ended" property fund. Such funds invest in property — bricks and mortar, rather than shares — and swell and shrink according to the market value of its holdings.

One example of the few open-ended property funds available is the Norwich Union Property Trust. The fund has climbed 36.1 percent in pound terms in the first three months of this year, and such growth ought to continue, said Mike Grimble, a Norwich Union investment strategist. He estimated a total return of 10 percent to 15 percent annually through the end of 1997.

Investors in these funds must be nimble, however. When property prices start to fall, investors often sell out faster than the fund can sell its underlying properties. This can lead to the fund having to suspend payouts.

Such a situation occurred several years ago at Rodamco, once one of the world's

largest open-ended property funds. In 1990, investors sold out in such large numbers that the managers, the Dutch pension group Robeco, stopped making payouts at net-asset value and turned the fund into a closed-end vehicle.

A similar scenario occurred this week when the ING Property Fund, which is sponsored by ING NV, the second-largest bank in the Netherlands, revealed that investors could only sell shares at net-asset value for another three months. After that, the open-ended fund will become closed-ended.

Andre Mulder, an analyst at the brokerage Barclays de Zoete Wedd, said that the fund had had severe problems with property-development investments. He added that the fund's managers were faced with such a wave of selling that they had been forced to take that step.

The Money Report is edited by Martin Baker

## U.S. Real-Estate Investment Trusts Cash In on the Recovery

By Philip Crawford  
and Michael D. McNickle

**I**NVESTING in property other than one's own home has traditionally been a somewhat rare activity for the average investor, a play thought by many to be reserved for only the truly wealthy.

But the ongoing economic recovery in the United States along with healthy growth projections for the value of both commercial and residential real estate has placed new focus on perhaps the best vehicle for small investors seeking exposure to the overall U.S. property market: The real-estate investment trust, or REIT.

If the number of REIT initial public offerings are any indication of market sentiment, then these securities may be poised for the strong growth that many analysts are predicting.

Since the beginning of 1993, REITs have

raised about \$13 billion in nearly 60 initial public offerings.

In addition, the National Association of Real Estate Investment Trusts index, which tracks the performance of REIT shares across the United States, nearly doubled the performance of the Standard & Poor's 500 index in 1993, gaining 19.65 percent compared with the S&P's 10.04 percent. This year, through March 31, the NAREIT index has gained 3.4 percent, while the S&P 500 turned in a loss of nearly 3.8 percent.

Analysts say the strong showing by REITs has much to do with the overall U.S. recovery, but also with a positive backlash in the long-troubled real-estate sector.

"We're just coming out of a long recession, perhaps even a depression in real estate," said Cathy Creswell, a REIT analyst at the brokerage Alex, Brown & Sons in Baltimore. "The feeling in the market is that rents are rising, especially in the apartment sector, and that occupancy is increasing as well,

which will create a need for space. REITs and their shareholders should benefit from these trends."

**S**OME ANALYSTS say that REITs hold the key to a largely untapped market. According to some estimates, as much as 30 percent of property in Europe and Asia is owned by shareholders, compared with only 1 percent in the United States. Some see the market capitalization of REITs, now about \$25 billion, rising to \$200 billion by the end of the decade on their confidence that more retail and institutional investors will discover REITs. One of the hurdles to that goal, however, may be the relatively low profile of REITs compared to mainstream securities.

Generally speaking, REITs develop, buy and operate residential and commercial properties, such as apartment complexes and shopping centers. They derive most of their income from rent and mortgage payments. Like typical equities, shares in REITs are traded on major stock exchanges.

But that is where many of the similarities end. By law, REITs must pay out 100 percent of their taxable net income to shareholders in the form of dividends. That is the way they were designed — as "conduit"

securities — when they came into being in 1960. It also is why they are known as a "yield-bearing" stock.

Moreover, compared with such instruments as certificates of deposit or one-year Treasury bills, REIT yields are looking fairly attractive. According to Alex Brown & Sons, the average annual dividend yield for shares bought in a REIT on March 31 will be 6.93 percent.

Some analysts caution private investors against investing in young REITs.

"With the IPOs, individual investors frankly have no better hope than to have a very educated broker who has a highly educated analyst or listened to an expert," said Brant Baker, a partner with Baker & Kalinowski, a law firm in Fairfax, Virginia, that specializes in real-estate finance and securities.

But with more established REITs, Mr. Baker said, "You can really look and get a feel based upon what they've done and how their stock has performed." He added, "Their past has often plotted the trajectory for their future."

Among such established REITs is now highly recommended by a consensus of analysts

are Federal Realty Investment Trust, based in Maryland; Equity Residential Properties Trust, based in Chicago, and Merry Land & Investment Co., based in Florida.

Post Properties Inc. and JDN Realty Corp., both based in Atlanta, also are appearing on many analysts' "buy" lists.

Adam Markman, an analyst for Green Street Advisors, a California firm specializing in REIT analysis, said that although the REIT industry had gone through several periods of growth and collapse in the past, today's REITs were safer.

"One of the most significant differences is that balance sheets now show very low levels of leverage, with debt typically at about 30 percent," he said. "That's a lot different than in the old days when things were primarily debt-driven."

An old criticism of REITs has been that they are highly sensitive to rising interest rates. Such a concern might seem particularly relevant in today's interest-rate climate.

But Miss Creswell played down the interest-rate factor. "With the economy in recovery, REITs hope that higher rental incomes will offset the effects of higher costs of borrowing," she said.

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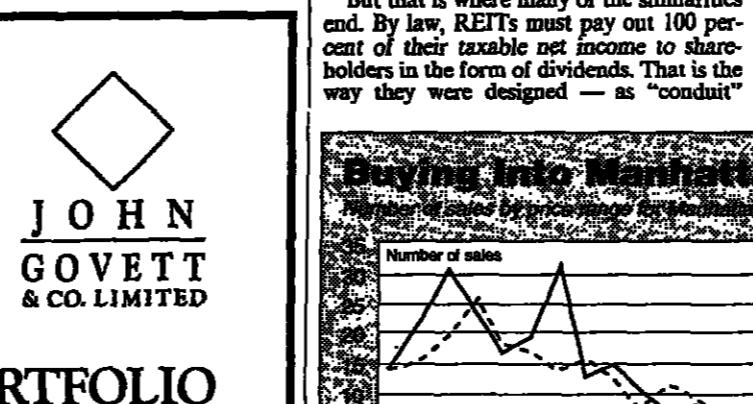
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Source: Real Estate Board of New York

## THE MONEY REPORT

## Paris: At the Bottom, but Looking Up

By Philip Crawford

**T**HE VALUE of residential property in Paris has yet to recover from the powerful combination that staggered it at beginning of the decade: A severe market correction from the sky-high days of the 1980s followed by a recession that has kept many potential buyers too nervous to make a commitment despite much lower prices.

Paris real-estate analysts say the market has at last hit rock-bottom. At the same time, however, few expect prices to shoot up again quickly.

The consensus is that values will stabilize at current levels for the next year or two, then turn slowly upward.

Many experts say buyers may be looking at a sizable window of opportunity, especially in the middle price range, where there is more to pick from than at the luxury end of the market.

Negotiators who try to hammer out acceptable price terms among potential buyers and sellers add that there is a lot more activity in the market than a year ago. In real-estate lingo, that means that more people are at least looking, if not buying.

"It's difficult to pin on any one thing," said Frank Cluck, director of the international realty concern Century 21 France, referring to the general increase in market activity as well as to an upturn in "openings" — signed contracts between buyers and sellers — for properties handled by his company.

"It's not anything to do with the overall economic picture in France, because nothing's really changed.

Unemployment is still high and people are still worried.

"But I think buyers feel that neither prices nor interest rates are going to go any lower, and they're saying to themselves, 'if we're ever going to do this, maybe now's the time.' That seems to be the psychology that's active."

According to the most recent estimates calculated by the Chambre des Notaires de Paris, which registers real-estate transactions and monitors prices, the cost of vacant apartment space in Paris fell about 6 percent in 1993, compared with a year earlier, to an average of 18,390 francs (\$3,150) per square meter.

The slide bore out analyst forecasts, which last year said that values would continue to fall at a rate less steep than the 11.2 percent drop of 1992.

**P**RICES SLUMPED last year in every district except the 1st, and some sections of the city were hit particularly hard. In the 4th arrondissement, which includes the picture-postcard Place des Vosges, the average cost per square meter fell 15.4 percent to 21,302 francs. Prices dropped 11 percent in the 7th, which remained the most expensive area of town; residential space there sells for an average of 27,161 francs per square meter.

"People don't want to be in the 8th any more," said Jackie Marango, a negotiator at Richard Ellis SA, a Paris property consultant. "Rents are high, charges are high, and there are fewer and fewer square meters.

"A lot of people have decided not to sell because they think prices will go back up to where they were," said Donella Higbee of Sotheby's, which deals in the highest end of the Paris market. "But things will never be that way again. The market may have hit bottom, but the really good products just

keepers. It's not really a place to bring up children anymore. People are moving out."

Such "charges" refer to monthly fees levied upon each apartment in a building. They typically cover the costs of grounds and building maintenance, plus those of concierge services.

According to Century 21, which deals primarily in the vast middle price range of Paris apartments, there has been a clear pickup in that part of the market.

During the first quarter of 1993, for example, an average of 88 days elapsed before a Paris property that had been listed on the market with Century 21 found a buyer. In the first quarter of 1994, that time was reduced to 67 days.

Throughout France, there were 1,354 openings on properties handled in March by the agency, up 14 percent from the same month a year ago. A deal is not formally "closed" until both parties register the formal transaction at the local Chambre des Notaires.

If the middle of the market is reviving, however, the luxury end is still in the doldrums. A prime reason is the dearth of exceptional properties on the market; many would-be sellers are holding onto their properties in the hope that prices will eventually climb back to the inflated levels of the late 1980s.

But they may be waiting a long time, the experts say.

"A lot of people have decided not to sell because they think prices will go back up to where they were," said Donella Higbee of Sotheby's, which deals in the highest end of the Paris market. "But things will never be that way again. The market may have hit bottom, but the really good products just

aren't out there. If they were, we could do a lot more selling."

Other analysts agree that the heady days of the late 1980s, when some values doubled over a four-year period, are not likely to return. Much of the blame for that period's high price levels, which came crashing down by about 25 percent in 1991, has been placed on speculators who bought apartments with the sole intention of reselling them quickly at a profit.

Miss Marango said that bringing buyer and seller together on a price for a high-end apartment was extremely difficult in today's climate. She spoke of one property she knew at the Place des Vosges which, despite the fact that it lacked a view of the square, had attracted a bid of 80,000 francs per square meter — but still not quite enough for the seller.

"The owners feel they can get 85,000 francs per square meter," she said. "So the parties are still a ways apart."

Miss Higbee added that since French homeowners tend to believe in "bricks and mortar" as a long-term investment and do not typically overextend on mortgages, they rarely find themselves in the position of having to sell.

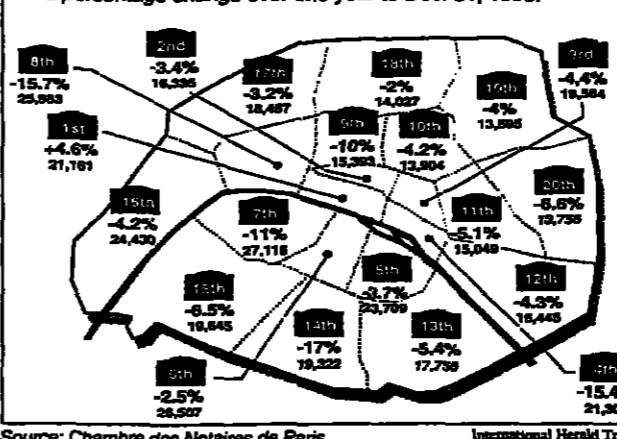
"They can just sit and wait," she said.

Richard McGillycuddy, a negotiator at the Philip Hawkes agency, a Paris firm specializing in upscale residential properties, said that there were few choice listings on the market. Still, he predicted that sales would gradually pick up.

"There will be more sales over the next two years," he said. "People will get bored of the recession. And with all the increased activity in the market, the recession may just sort of stop itself."

## On Hold in Paris

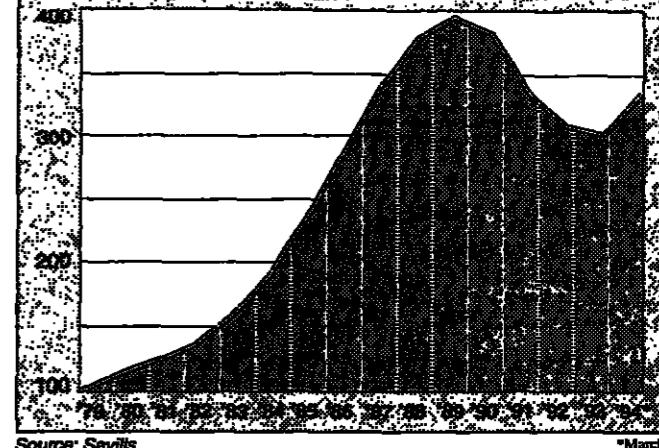
Apartment prices in francs per square meter by arrondissement and percentage change over one year to Dec. 31, 1993.



Source: Chambre des Notaires de Paris

## Turnaround in London

London residential real estate



Source: Savills

March

## London: Foreign Investors Are Piling In

By Rupert Bruce

**A**FTER SEVERAL grim years, the top end of the British residential property market is making a vigorous comeback, with much of the recovery driven by buyers from the Continent, the United States, and Russia.

Real-estate agents report sharply rising prices in the prime areas of London and in the suburban counties within striking distance of international airports.

**B**YOLANDE Barnes, head of residential research at Savills, an upmarket real estate agency, said: "At the end of 1992 we saw a marked upturn at the very top end of the London market. It started with very expensive houses and moved out from central areas of Belgravia and Mayfair to more peripheral areas."

That upturn spread in 1993. Property prices rose in the top-grade London areas of Kensington and Chelsea, Holland Park, Notting Hill, St. John's Wood, Regents Park, Hampstead and the Docklands. Unusually, the increases fed quickly into the suburban counties surrounding London.

Miss Barnes predicts that the price surge has only just begun. Savills is forecasting increases this year of 25 percent for prime central London property and 19 percent for top-notch property in Britain as a whole.

What brought the market back to life? Experts say the catalyst was Britain's withdrawal of the pound to life?

While the market back to life?

Experts say the catalyst was Britain's withdrawal of the pound

from the European exchange-rate mechanism in the fall of 1992. The 20 percent drop in the value of the currency coupled with the plunge of 20 percent to 30 percent in property prices suddenly made apartments and houses in Britain highly attractive to foreigners.

Savills' Prime Central London Residential Property Index rose by 10.5 percent during 1993. The company's country house index for the suburban counties climbed 11.6 percent.

**B**OTH INDEXES cover the top 10 percent by value of apartments and houses sold in each region. In such areas as the Docklands, this would include studio apartments that might sell for as little as £10,000 (\$18,000); in the most expensive London areas of Belgravia and Mayfair, on the other hand, houses might cost several million pounds.

This compares with last year's slim 1.2 percent rise in the Halifax building society's nationwide index, which spans all echelons of the market. Most forecasts for the top end of the market also exceed the gentle recovery of about 5 percent predicted by the Halifax index for 1994.

But Savills' prediction of sharply higher prices this year may turn out to be excessive.

Stephen Pirie, head of the West End office of Hamptons, the real-estate agent, said that based on the results of the first quarter, property price were more likely to climb by only about 12 percent this year.

He said that of the buyers he

deals with regarding property in the exclusive areas of Knightsbridge, Belgravia, St. James's and Mayfair, 85 percent are from outside Britain. Middle Eastern buyers have recently made a comeback, and Russian buyers have started to appear as well, he said.

For those international investors buying on a relatively short-term basis, Mr. Pirie said that yields on real estate are now 9 percent to 10 percent in 1993 had fallen to about 7.5 percent for this year. But he noted that there was now a much greater chance of significant capital appreciation on such properties than there was a few years ago.

"We are in an area that is very popular for education," he said. "It has very good local grammar and public schools for boys and girls. We have got a mixture of country and communications. We are 40 minutes from London, and in the country as well."

Colin Mackenzie, head of the country house department at Hamptons, said he was being approached not only by Hong Kong expatriates, who were willing to pay up to about £300,000 for choice property, but by foreign business people seeking a base in Europe or a place to entertain European clients, who were often willing to go as high as £1.5 million.

Mr. Mackenzie also stressed that such buyers tended to want houses within short distances of international airports. He said that those buyers with a European base in mind sought property no more than an hour's drive from Gatwick or Heathrow airports, while those seeking to offer corporate hospitality tended to look for something within a half-hour of the airports.

Large country houses in this area that were selling for about £500,000 last year might sell for £600,000 in 1994, he added.

## Los Angeles: Riding the Quake to Revival

By Conrad de Aenlie

**A**FTER ASSESSING the destruction that the January earthquake unleashed on Los Angeles, property owners' thoughts turned to another potential source of damage: jittery neighbors fleeing the region and pushing already depressed home values even lower.

The knee-jerk departure of some residents of the San Fernando Valley, the huge Los Angeles suburb where the quake was centered, did give the real-estate market a jolt, but the prevailing view is that run the disaster may in fact jump start the region's long-suffering economy.

The initial impact of the quake was a dampening of property values in the affected areas, and there still will be a residual impact because of a fear of more quakes," said Lynn Reaser, chief economist at First Interstate Bank. "But there has been an infusion of \$16 billion in private and public insurance funds into the L.A. basin. As a result, the construction industry has seen some revival and that sector of the economy is doing better."

Allen Parker, who manages the United Services Real Estate Fund, which is partly invested in home-building companies that do much of their business in the region, called the quake a "mixed bag."

In spite of the loss of life and property, he said that "the net result of all that earthquake damage is a positive for the economy of Southern California."

"A lot of money will be spent there, a lot of jobs will be created," he added. "Homeowners seem to be doing well."

Money spent, jobs created, homeowners doing well. It has been a long time since those things happened in Los Angeles.

The last recession occurred right around the time of the great dismantling of the defense industry, one of Southern California's largest employers. As a result, the downturn was far more crippling there than in most of the nation.

Unemployment during the recession was much higher than the national average — and still is, at about 9 percent. That forced many Los Angeles residents to leave, which, in turn, caused a sharp drop in home prices.

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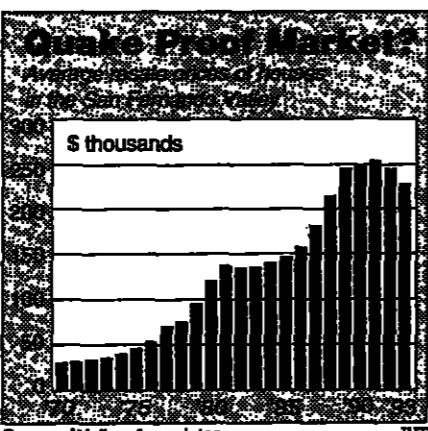
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Source: Walker Associates

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# GREECE

## THE NEW AGENDA

### ATHENS CAN LEAD WAY TO EXPANDING EUROPE

**Greece's economic and foreign-policy problems are not going to obstruct its responsible leadership of European affairs, including efforts to expand the European Union, says Yannos Papantoniou, the alternate minister of national economy, who recently chaired a meeting in Brussels of European finance ministers.**

**H**is positive Greek attitude to Europe became obvious during the first three months of Greece's role as president of the Union. Although Greece does not agree with the overall EU position, it voted for measures to be taken against Bosnian Serbs if they continued to bomb Sarajevo. Greece took the same position at the NATO meeting that decided to give the Serbs an ultimatum.

On both occasions, Greek representatives voiced doubts as to the effectiveness of the measures proposed and said Greece would not participate in any military action or allow the use of Greek bases that are shared by NATO forces. Nevertheless, Greece did not use its veto.

The Greek internal opposition was quick to accuse the governing Socialists of violating their principles and letting down Greece's closest traditional friends, the Serbs. Prime Minister Andreas Papandreou, however, defended his position, claiming that Greece was putting European solidarity above national interests.

Greece was disappointed that within days of the European Union and NATO meetings, the United States proceeded to recognize the former Yugoslav Republic of Macedonia, without waiting for Skopje to open a dialogue with Greece to settle differences about the name of the new state, the use of

Greek symbols in its flag and articles in its constitution that Greece considered a threat to the territorial integrity of Greece.

Faced with accusations by the opposition of leading the country into a fiasco, the government declared an embargo against the former Yugoslav republic, which depends on the Greek port of Salonika for its imports.



Greece is serving as the president of the European Union until the end of June.

The European Commission alleged the move was violating EU principles and referred Greece to the European Court. Greece was to be indicted unless it lifted the embargo before April 22, the date set for the first official visit of Mr. Papandreou to Washington to talk with U.S. President Bill Clinton.

During Greece's tenure as president of the Union, negotiations have resulted in the probable acceptance in the near future of the entry of Austria, Norway, Sweden and Finland.

Greeks favor this expansion and are looking forward to the entry of East European countries to the Union.

"We see the expansion of the Union with very positive eyes," says Mr. Papantoniou. "The more it expands, the larger its weight on the international horizon."

Since the United States is now the only superpower, the creation of a balancing force is absolutely necessary. There are historical reasons for Greece to favor the association of former Eastern bloc countries. "Our Balkan neighbors and other countries of the former Eastern bloc constituted once upon a time the hinterland of northern Greek ports like Salonika and Kavala," says Nikos Eftymiadis, president of the Association of Northern Greek Industries.

Throughout the Roman, Byzantine and Ottoman empires, caravans from Salonika carried goods to Serbia, Bulgaria, Romania, Austria and Ukraine. "At present, a chartered plane flies in daily from Tbilisi, Georgia to Salonika with a load of passengers who shop in Salonika," says Mr. Eftymiadis.

Recently, representatives of 24 Greek companies from the area of Salonika flew to Georgia, where they signed commercial agreements worth \$15 million.

The agreements call for exports such as olive oil, food and machinery. One company signed an agreement for the establishment of a chocolate plant in Georgia, and another for the opening of a supermarket. A printer signed a contract for the production of a magazine and books for a Georgian publisher.

"We found a country that is trying desperately and at a great cost to find its way to a free-market economy," says Christos Folias, president of the Commerce Association of Saloniaka.

"They need almost everything, especially know-how and raw materials. They are ready to discuss any kind of joint venture."

Albania, the poorest northern neighbor, with whom there has recently been considerable border tension, has become so dependent on Greece that the Greek drachma has become the main instrument of exchange. Over 200,000 Albanian immigrants, many illegal, work in Greece and send money home. Several Greek food and beverage firms have established networks in Albania.

In Bulgaria and Romania, Greek investors are doing a thriving business. "Over 1,000 companies are now operating joint ventures with Bulgarian firms" says Mr. Eftymiadis.

"Basic sectors expanding to the north, mainly in Bulgaria and Romania, are food and beverage industries, textiles and banking. Credit Bank has established a branch in Bucharest, and Egnatia Bank and the Bank

of Macedonia and Thrace are about to open branches in Sofia," says Mr. Eftymiadis.

"Business and economic cooperation is the best way to secure peace and security in the Balkans."

Greeks have a long tradition of doing business with countries to the north, including

Ukraine, Georgia, Azerbaijan and Armenia. This also explains the existence of large Greek communities in these countries.

"Now all facts point toward the restoration of the city's old position. Greece, and especially northern Greece, is the right platform for expanding to the east. And business expansion is the forerunner of political expansion."

John Rigos



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## GREECE

## PROJECTS THAT POINT WAY TO GROWTH

**T**hirteen large public-works projects aim to modernize Greece's antiquated infrastructure, providing at the same time an impetus for new jobs and for investment-led growth. By the end of the century, Greece could have a telecommunications and transportation network on a par with those of its European Union partners.

For more than 10 years, Greece neglected its infrastructure. During the same period, other European and Asian countries invested large sums in transportation and telecommunications networks. With the new era of tele-information dawning, Greece found itself at a disadvantage: roads were badly in need of repair, its tele-

phone system was noted for reaching wrong numbers, letters took more than a week to go from one part of Athens to another, parcels were more often lost than not, railways were practical-

*Socialist promise on major investment*

ly nonexistent, bank branches stayed in touch with their head offices by telephone and the information revolution was nearly unheard of in the country.

By the end of the 1980s, the major political parties started to realize the simple truth that in today's integrated world, where companies locate production facilities in the country that offers the

most services, governments — not only businesses — must compete with each other. In the 1980s, foreign capital stayed away from Greece because the necessary services were not available there. They were available, however, in countries like Turkey, Spain, Portugal, Ireland and Italy. A decision was made to correct the situation, and a monumental effort has been under way since then — officially supported by all parties.

National highways have been extended and improved, ports expanded and dock facilities upgraded. A special fund has been set up to finance airport improvements. Coastal shipping has been thrown open to competition, leading to a dramatic improvement in the number and quality of ships plying the Aegean and Ionian Seas.

most of which has been

spent on the extension and modernization of the phone service. Mobile telephony has entered Greek life; following a successful international competition, two consortia led by a British and an Italian company are blanketing the country with their networks and providing Greek businesses with much-needed and efficient services.

Greece's rulers realized that it was difficult to make up for lost time and that a special effort had to be made. At the same time, a deep fiscal crisis meant expenditure had to be curtailed and the public sector's borrowing requirements controlled.

The previous conservative government, led by the New Democracy Party, had decided to draw up plans for the implementation of several huge investment projects, designed not only to modernize the country's infrastructure but also to provide an impetus for growth, development and employment. Chief among these was the Athens subway (in the planning stages for more than 20 years), the new airport at Spata near Athens, the Rio-Antirio Bridge (to link western Greece with the northern Peloponnese), the Aheilos River Dam and the new pipeline to provide Athens with fresh water.

Given the country's dire fiscal position, these projects were to be largely financed with European Union funds, mainly from the Delors II Package.

Before losing the October 1993 general elections, the conservatives had managed to start building the Athens subway, draw up plans for the Aheilos Dam and choose a mainly German consortium, led by Hochtief, to build and operate the new international airport at Spata. When the elections brought the Socialists to power, most plans were put on hold pending a review by the new administration.

The government of An-

dreas Papandreou has indicated its willingness to proceed with all major investment projects that will improve the country's infrastructure.

Thirteen such projects have theoretically been put on the front burner, but for

the moment, the only one showing some practical progress is the Rio-Antirio Bridge. The total cost of these projects is estimated at 2 million drachmas, and it is hoped that all will be completed by the end of the century.

Anthony Kefalas

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • John Rigos, Anthony Kefalas and Pat Hamilton are writers based in Athens who specialize in Greek affairs.

## KARAMANLIS, SENIOR STATE LEADER OF EUROPE

**C**onstantine Karamanlis, president of Greece, has been compared to Pericles, the ancient Greek statesmen, but Pericles was a bit of a demagogue and Constantine Karamanlis, now aged 87, is anything but that.

Others have seen him as a new Eleutherios Venizelos, the man who began Greece's modern history. But Venizelos was a revolutionary and took risks, while Mr. Karamanlis walks only on solid ground. This is why, for most of his fellow Greeks, Mr. Karamanlis is unique and incomparable.

One of the youngest politicians ever to serve Greece as prime minister, Mr. Karamanlis was a successful member of the government of Marshal Alexandros Papagos when King Paul picked him as the suc-

cessor of the old soldier, who died in 1955. Twenty years later, Mr. Karamanlis held the referendum that put an end to the monarchy in Greece.

"For Karamanlis, there is no ideology or obligation to others. His supreme law is the interests of the country as he sees them — and this is usually a clear view," the late Constantine Tsatsos, Greece's first post-monarchical president and a close associate of Mr. Karamanlis, once said.

Mr. Karamanlis was born on March 8, 1907 in Proti, a village in Macedonia, then a province of the Ottoman Empire. After studying law at Athens University, he entered Parliament in 1935, at the age of 28, as a deputy from the area of Serres in Macedonia.

He took the premiership 20 years later as leader of

the National Radical Party (ERE).

In more than 56 years in politics, he has held most of the important ministries in various cabinets, was premier for 14 years and was twice elected to the presidency of the republic.

In 1974, after the fall of the military dictatorship in Greece, Mr. Karamanlis was received as a messiah when he returned to the country. He set up a party called New Democracy and restored people's trust in democratic institutions.

He will go down in history for putting an end to the monarchy through a free referendum and managing to persuade other European leaders to accept Greece as the tenth member of the European Economic Community in January 1981.

According to many ob-

servers, Greece was not ready economically to take the plunge, but Mr. Karamanlis stressed the political reasoning. He was seeking stability and security for Greece, a country at the crossroads of East and West.

In 1980, he resigned as prime minister and party leader and was elected president of the republic for a period of five years. Two months before the end of his tenure, on March 10, 1985, he resigned from the presidency. He was re-elected five years later, in March 1990, for a second five-year term.

In recognition of his struggles for the European idea, he was honored with the golden medal of the European Parliament, and he has received the Charlemagne, Schuman and Onassis awards.

The Greek president is to-

day the senior state leader in

Europe. He has been described as the "Nestor" of European statesmen. And like the aged leader of the Greeks who besieged Troy 3,000 years ago, he is a rich source of sound advice. Like Nestor, he is not always listened to.

J.R.

President Constantine Karamanlis

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The government of An-

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## ARISTOTLE UNIVERSITY OF THESSALONIKI

"I speak to all of you here today, the living presence of our nation! Greek history is a unique compass which has steadfastly directed our people towards the values and the symbols that nurture their sense of national identity. This history has fostered and magnified the responsibilities of each successive generation of Greeks, who have offered works, struggles, sacrifices, and blood to the tree of Hellenism. This has been the seed which made the Greeks great and created that splendid universal civilization that illuminated the whole world. To our own generation has fallen the honour of defending the name, the symbols, the history, and the culture of Macedonia, fundamental elements of the Greek identity. Today's rally, magnificent and mighty, affirms the message that Macedonia is the Greek's precious talisman; that Macedonia is flesh of Greece's flesh; that Macedonia is the soul of our Nation's soul. Name, culture, history, and symbols together form a unified, indivisible, and non-negotiable whole. Let the political leaders and the government hear our message. Like an immovable rock, a vigilant sentinel, we maintain the struggle.

Let our European partners, the USA, and other countries also hear our message. Let them stop turning a blind eye to historical deceit, for they owe it to their 'distant mother' as the poet says, they owe it to Greece, the illuminator of the world.

Lastly, let Skopje's leaders hear our message, and give up their stubborn and fraudulent bolstering of the national identity. Their obstinacy is manifested both in their high-handed appropriation of the name 'Macedonia' and of Greek symbols and in the fact that their constitution enshrines supposedly 'irredentist' principles which can only prove detrimental to Greece and jeopardize the smooth co-operation and peaceful of the Balkan peoples.

\*Address given by Mr. Anthony Trakateli, Dean of the Aristotle University of Thessaloniki on March 31, 1994 during the public rally held in Salonic.

I am in a position to assure you that the Aristotle University of Thessaloniki, the largest institution of learning not only in Greece but in the whole of the Balkans, and one of the most important in Europe, is well aware of its responsibilities towards the future generations who will continue the march of the Nation's history. The University is taking active steps to re-establish the historical truth with actions and initiatives that are strengthened by its prestige.

Coincidences can be very symbolic sometimes. It is precisely two years ago today that Professor Manolis Andronikos left us, a member of our University whose name will eternally be linked with the history of Macedonia and the sun of Vergina. At times like this, he is with us, fighting at our side.

The University community forms a solid front with the peace-loving Greek people and their political leaders and cannot accept without protest the constant insults to our national consciousness and the continuity of history.

The Senate of the Aristotle University of Thessaloniki calls upon the international academic community to do its utmost to find a just solution to this problem. The solution must rise above circumstantial diplomatic expediencies and guarantee steadfast national, political, and cultural principles and values. Only a just solution will make this a region of peace, friendship, and co-operation for the Balkan nations. Our University, in complete unanimity with the Greek people, has demonstrated its commitment to such principles by deeds and actions.

Through my presence here today, the Aristotle University, the University of Macedonia, and all the Universities of Greece salute with zeal and pride this magnificent gathering — for Macedonia — for Greece — for the soul of Hellenism!"

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## GREECE

## SEA STORY: A SAGA OF GOLDEN FLEECE AND GOLDEN FLEETS

When did Greeks first become masters of the sea? Was it when the Argonauts sailed to the Black Sea to get the Golden Fleece, or when the Minoans from Crete and Santorini sailed to North Africa for trade and conquest? In any case, it must have been over 1,000 years before they sailed to Troy in 1100 B.C. to reclaim the beautiful Helen.

George Katsifaras, minister of the merchant marine, is not interested in going so

far back to show the importance ships have played in the history of his country. He says: "Without our shipping, we would not have been able to free our country during the War of Independence, 170 years ago. Actually, our merchant marine played an important role in every major conflict our country was involved in."

He is quick to point out the sacrifices suffered by Greek sailors during World War I and World War II. "In World War I, we lost 68 percent of our merchant fleet," he says. "Out of 475 ships in 1915, we were left with 205 at the end of the war."

During World War II, Greece lost 72 percent of its merchant fleet, with 565 ships sunk, 2,700 sailors killed and more than 3,000 injured. According to Vassilis Maros, who recently completed a documentary on Greek shipping during

World War II, Greece lost more tonnage at that time than during the whole of its 4,000-year shipping history.

Greek shipping was reorganized after World War II, thanks to the sale of 100 Liberty ships from the United States. Under the leadership of men like Stavros Niarchos and the late Aristotle Onassis, Greek shipowners gained a dominant place in world shipping. With 1,093 ships totaling 51,503,841 tons dead weight, Greek-registered shipping holds the third place in the world, after Panama and Liberia. "We

have 8 percent of world shipping and 45 percent of European Union shipping," says Mr. Katsifaras. If the tonnage of Greek-owned ships under foreign registry is added, Greek shipping is first in the world, with 2,831 ships of over 120 million tons.

Shipping contributes 5 percent of the gross national product, bringing into the

country over \$2 billion in foreign exchange and employing over 50,000 sailors, half of them in Greek-registered ships.

Mr. Katsifaras admits that Greek shipping has personnel problems. "We do not get many sailors and there-



Shipping contributes 5 percent of Greece's gross national product.

for our ships have to turn to third countries for part of their crews," he says.

"Greek legislation allows 40 percent of each crew to be foreigners."

Greece has signed agreements with some Asian countries, including Bangladesh, the Philippines and Sri Lanka. They provide mostly deck hands, while Greece provides officers.

"Let's face it, work at sea is considered hard, despite the comforts of modern ships," says the minister.

"We are trying to make it more attractive. We must bring our young men back to the sea, and we are in the process of reforming education for crews and officers. We are also aiming at attracting European as well as Greek crew members."

Since Greek shipping is occupied in world transport, Greek shipping companies are organized on an international basis and financed through international banking institutions. "We are not geared toward extending credit and financial assis-

tance to our shipping industry," says Mr. Katsifaras. "We are actually opposed to such financing."

By depending on foreign financing, Greek shipping has suffered from international monetary and trade crises. Greek shipping interests were also hurt by the protectionism other countries extended to their own shipping industries.

"That's why we support free competition in world transport, and we also have adopted within the framework of the International Maritime Organization a number of agreements dealing with shipping security and environmental protection," Mr. Katsifaras says.

The only protectionism offered to Greek shipping is that extended to cruise ships and passenger ships that connect local ports.

Protectionist measures for Greek cruise ships will end in 1998 and for all passenger ships by 2004.

Gerasimos Strintzis, president of Strintzis Lines, one of the leading passenger-

and cruise-ship companies, welcomes the end of this protectionism. "We should not restrict the entrance of European companies," he says. "We have taken advantage of existing European regulations, and we have our own shipping companies in Ireland and in Italy. Our newest ship will sail in Italy under the Italian registry."

During its current presidency of the European Union, Greece is trying to promote a number of resolutions aiming at better maritime security and environmental protection.

Among these, according to Mr. Katsifaras, are joint regulations for the inspection of shipping, training standards for sailors and lower dues for tankers that have higher environmental protection standards.

Mr. Katsifaras says his country is in complete agreement with the European Union position, which called for the liberalization of international sea transport during the Uruguay round of GATT talks. J.R.

## THE BIG NEWS: GREECE IS IN THE SOCCER FINALS

Greece is in the mood for celebration - the Greek soccer team has made it to the finals of the World Cup, starting in June in the United States.

Soccer is Greece's national sport, but in international competitions Greeks have had a hard time. This will be its first World Cup finals.

It was not until 25 years ago that Greeks began playing on green turf. Until then, their fields were of smooth, hard soil. Experts believe that the improvement of Greek soccer is due not only to the development of proper fields but also to the introduction of professionalism and the attraction of international aces, mostly from South America, the former Yugoslavia, Bulgaria and Albania.

Some experts believe that apart from the improvement of standards, Greece was favored by luck. The country was drawn for the preliminaries in a group consisting of the Soviet Union, Yugoslavia, Hungary, Luxembourg and Iceland, but Yugoslavia was disqualified after the dissolution of its federation, and the Soviet Union team became the Russian team, thus losing some of its best Ukrainian players.

Greece finished first, with six victories, two ties, no defeats and a 10-2 goal score.

Greece had a brilliant coach, the naturalized American Alteas Panagoulas, a 60-year-old veteran player who also has a Masters in Interna-



Modern hero Tassos Mitropoulos, captain of the Greek team.

tional Relations from an American university. He coached the Greek national team in the 1980s, when it made the finals of the European Cup, and was also successful as coach of the American team in 1983, 1984 and 1986.

Mr. Panagoulas believes that his team can make it through the first round of the finals and join the 16 qualifiers in the second round. His players appear equally determined, partly because if this happens, they will share a bonus of \$1 million. An additional \$1 million will be made available for them for every new round they enter.

"Our players will be favored by the environment," says Mr. Panagoulas, who points out that first-round matches will be played in Boston and Chicago, where there are large Greek-American communities. "Crowd support will mean a great deal to my men," he says.

Greece has been drawn in group "D" and will be playing against Argentina in Boston on June 21, Bulgaria in Chicago on June 26 and against Nigeria in Boston on June 30.

"We are a good team," says Tassos Mitropoulos, the Greek captain. "With a little bit of luck, you never know."

GOK/ABC Athens



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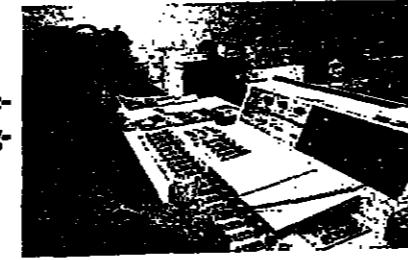
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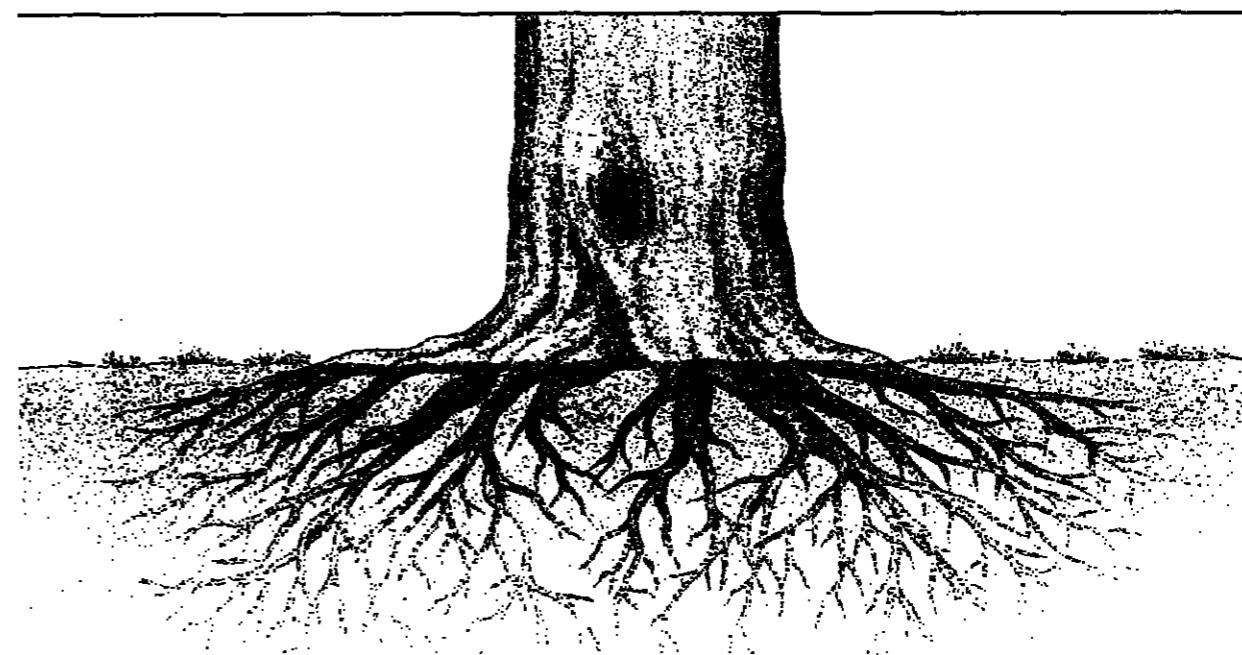
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Tourists on their way by bike and ferry to the Greek Islands wait at the port of Piraeus.

## GREECE

## SUN MANAGEMENT: TOURISM INDUSTRY HELPS 10 MILLION CATCH A FEW RAYS

**T**hings are beginning to look up for Greek tourism. The number of visitors rose last year to 10.2 million, about the same as the country's population. The initiation of infrastructural improvements, the gradual recovery from the European recession and the misfortunes of such sunny competitors as the former Yugoslavia and parts of North Africa promise a further upturn as Greece aims to become "the Florida of Europe."

SETE, the country's first tourism lobby, formed two years ago and made up of 230 of the most influential companies in Greece, is calling

on the government to push for adoption by the European Union of a series of incentives to promote holiday travel from the northern to the southern countries and of disincentives to discourage Europeans from vacationing outside the Union.

To attract older tourists with money to spend and to ensure that visitors return, Greece must provide the kind of infrastructure those people expect. Various projects are now under way to accomplish this.

In addition to a planned new international airport in Athens that will be able to handle 50 million passengers a year and what is to be the best underground rail-

way system in Europe, existing airports are being improved and Greek entry ports from Italy expanded with faster ferryboats, which will cut 12 hours off the trip from Ancona (Italy) to Patras (Greece).

Baking in the sun on the Greek Island of Mikonos.

Tourism Minister Dionysos Livanos foresees radical changes in the Greek National Tourist Organization, which has been criticized for its lack of direction and for recent advertising campaigns.

Mr. Livanos has proposed the establishment of a Tourist Bank that would manage the huge amount of property owned by the tourist organization, valued at 3 million drachmas (\$12 billion).

It will be the first time the entire industry cooperates on a national project for the common good," the president of Danac, Lefteris Theofanopoulos, said at a recent press conference.

The Greek travel industry already has considerable advantages: The sun shines some 300 days a year in brilliant blue skies, and tourists are offered 2,000 islands and 13,000 kilometers of jagged coastline, ideal for sailing, with the greatest number of clean beaches in Europe.

For skiers and climbers, spectacular mountains — the country's least-spoiled treasure — are everywhere. Greece has been blessed with over 6,000 species of wildflowers, many of which are found nowhere else in the world.

While the influx of tourism has taken some toll, little searching is needed to find a way of life that charms visitors.

Pat Hamilton

## IN ADDITION TO RETSINA, GREECE OFFERS FINE WINES

The Greek wine industry, best known for its pine-flavored retsina, is now penetrating the market for quality red and white wine.

Despite the fact that Greece was probably the first country in the world, some 4,000 years ago, to produce wine on an organized basis, the modern Greek wine industry is barely 20 years old.

In the past few decades, Greek wineries have been modernized and technologically equipped, and a new generation of young Greek chemists and enologists have returned from studies in France, Germany, Italy and California, eager to apply their skills. Consumer tastes have also been changing, with a move away from the barrel table wines, which used to be the only offer-

ing at most tavernas and Greek homes.

According to the wine specialist at the Hellenic Export Promotion Organization, Yorgos Papapanayotou, there is not yet a *grand vin* in Greece. "But we can find very good quality wines, *appellation d'origine et vins de pays*, that are extremely interesting because of their originality and personality due to the wide range of native grape varieties used," he says.

This new interest in fine wine has encouraged the development of a number of small wineries working alongside wine cooperatives and the major, long-established companies, such as Boutaris, Achaia-Clauss, Carras, Kourakis and Tsantalis. Some of

these wineries use imported grapes (cabernet sauvignon or merlot, for example), either on their own or in blends with indigenous grapes.

Greece can be divided into four different wine-making areas: Macedonia and Thrace in the north, the Peloponnese in the south, the Aegean and Ionian islands, and Attica.

One of Greece's finest red grapes, xynomavro, which thrives in northern Greece, is used to make naoussa wines.

Boutari, the market leader in the wine industry, has its base in this region and produces more than 25 million bottles a year, of which 20 percent are exported.

While the xynomavro grape dominates the northern part of

the country, in the Peloponnese area to the south, the prized Agiorgitiko-based wines, the nemeas, are worth attention. The most important producer in terms of quantity is the Nemea cooperative, with a gleaming new winery built with the aid of European Union funds. It produces about 20,000 tons of wine a year. Most major producers offer a nemea, and the best is said to be from Kourakis, under the Koutros label.

The port of Patras is the base for the Achaia-Clauss company, Greece's oldest winery, founded by a Bavarian businessman over 100 years ago. In addition to its well-known Domestica label, the company produces some fine wines with the Patras appella-

tion, including the sweet red mavrodaphne, similar to an aged tawny port.

The Greek islands are the traditional home of ancient grape varieties. Crete is the most important in terms of quantity. Other worthy island wines include the sweet Muscat of Samos, Cephalonia's robolla and the mandilaria-based wines of Paros.

The Attica region around Athens is planted with the white bavariana grape, much of it resinated to make retsina. Despite the doubtful reputation retsina has given to Greek wines, it can be an agreeable drink when consumed very cold, in the sun and with assorted Greek hors d'oeuvres.

P.H.

President: George Prassianakis  
General Manager: Spiros Stalias

Address: 2, 2nd Merarchias Street, Piraeus, Greece  
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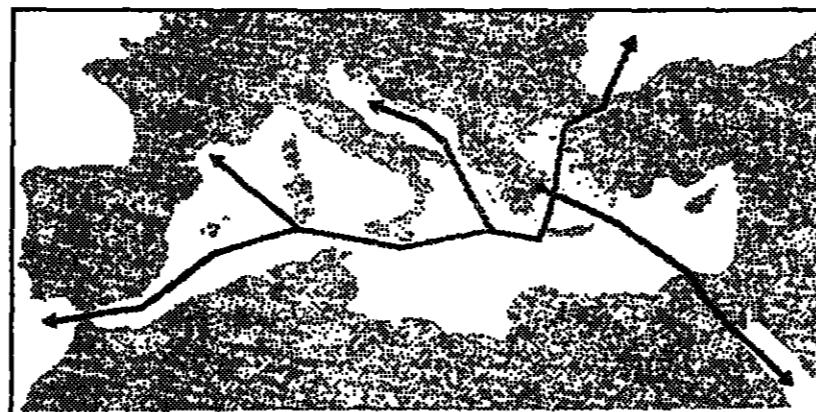
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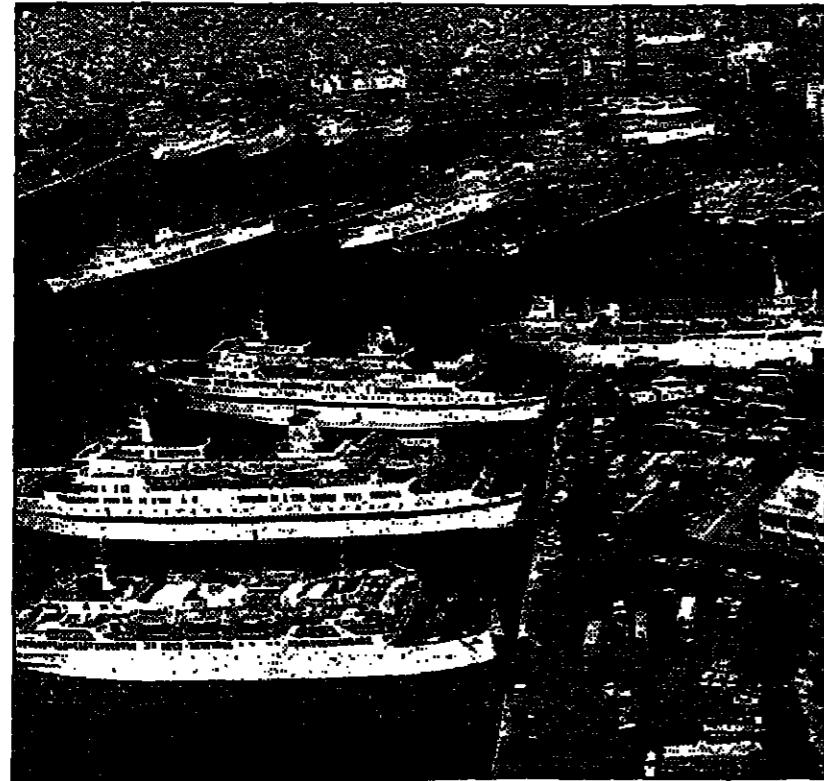
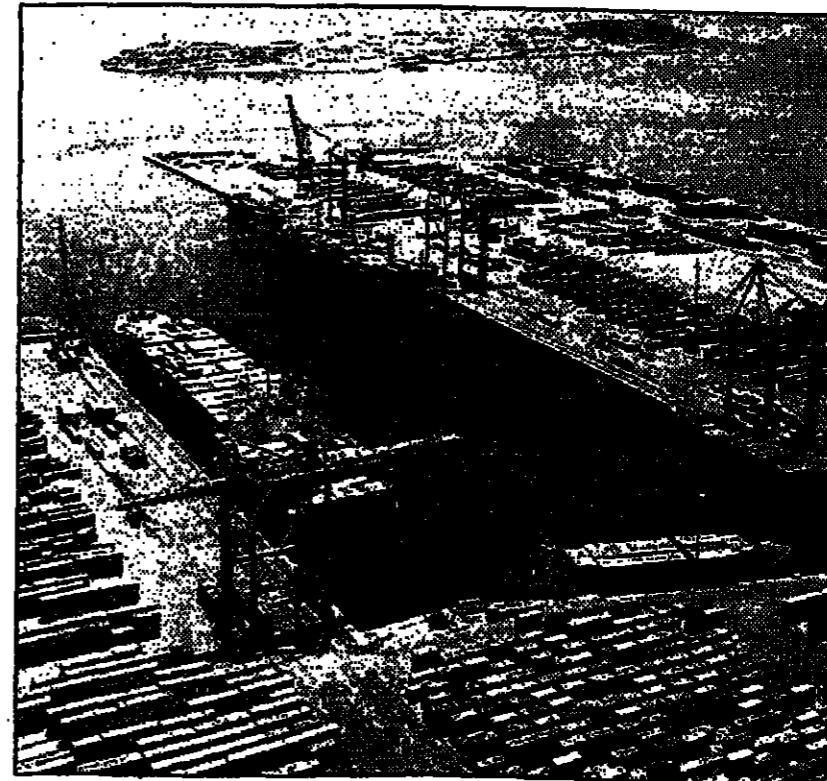
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# SPORTS

## European Basketball Will Gain From Greece's Championship Loss

By Ian Thomsen

International Herald Tribune  
TEL AVIV — The worst fears of the European Final Four were realized by no one except the favored club from Greece, Olympiakos Piraeus.

Security never became a public concern, neither outside nor inside the Yad Eliyahu arena. The 3,000 Greek fans inside the arena were only self-defeating. Those of Olympiakos had triumphed Tuesday night over their rivals grouped at the opposite end of the arena, as Olympiakos defeated Panathinaikos in the semifinal. In the final, the Panathinaikos fans retaliated by supporting underdog Joventut Badalona against Olympiakos during the Spaniards' 59-57 victory Thursday night that prevented Greece from celebrating its first European basketball club championship.

There will be more outcries about overly defensive basketball after the two teams got only 38 points in the second half, with Olympiakos being outscored, 7-1, in the final eight minutes. More likely, these championship final upsets of the past three years — all engineered by Serbian coaches, two of them by Joventut's Zelimir Obradovic — will create a more sophisticated audience for the game in Europe.

"There's probably a lot more pressure on the so-called stars in Europe than there is in America," says one of the best of those stars, 36-year-old Nikos Galis, whose 30 points helped Panathinaikos beat FC Barcelona, 100-83, in Thursday's game for third place. "In Europe, the stars rarely take most of the fault for losing, and most of the credit for winning."

"The people don't know the importance of the sixth man coming off the bench over here. Or that the star is not going to score tonight, but he's going to draw two men which is going to make it easy for another guy to score. But it's getting better. They're starting to realize that it's more than just scoring."

How else to explain a victory by a team as overmatched as Badalona? The Spaniards were cool against overwhelming odds because Obradovic had installed a system they believed in. Like all upsets, it demanded offensive efficiency — a fast start was mandatory — and Olympiakos provided Badalona with easy shots from the beginning. The Greek team's big front line of Ray Tarpley, Zarko Pasajic and Panayotis Fassoulas was in no mood to play defense on the perimeter until Badalona's 34-year-old center, Cornelius Thompson, and Ferran Martinez — at 2.13 meters, or 7 feet, he was effectively a small forward — began popping in shots from 15 feet. Once Olympiakos' big men were forced to defend the 3-point line, there was a lot more room inside than anyone might have expected for Badalona — and more chances for offensive rebounds, which ultimately allowed them to win.

Just as Obradovic was figuring out how to maximize the strengths of his smaller, quicker, more cohesive team, so was Olympiakos being let down by its

coach, Yannis Ioannidis. He is one of the most successful coaches Greece has ever known, but in this Final Four he seemed to have more talent than he could handle. Tarpley, in effect, was crowded out by his own teammates on the front line.

Here is one of the NBA elite who,

29, has all of his skills intact — more skills at his height, 6-9, than Tarpley was probably ever seen — and he is as motivated as any foreigner could be, if he wants to use this season's final month as Olympiakos' defeated Panathinaikos in the semifinal. In the final, the Panathinaikos fans retaliated by supporting underdog Joventut Badalona against Olympiakos during the Spaniards' 59-57 victory Thursday night that prevented Greece from celebrating its first European basketball club championship.

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### Heat Gain Playoffs, At Hawks' Expense

The Associated Press

Miami is assured of eighth place in the Eastern Conference, and happy about it. Atlanta, still in first place in the conference, is disappointed.

The Heat clinched their second playoff berth and their first winning season Thursday night with a 94-89 victory over the Hawks, who could have won the East title with victories in their last two games.

Miami's victory eliminated Charlotte, which surged into contention when it got Larry Johnson and

Rockets 126, Mavericks 109. Hakeem Olajuwon had 21 points, 14 rebounds and six blocked shots before sitting out the fourth quarter as Houston clinched the second-best record in the NBA.

Seattle is assured of the best record and the Rockets locked up second when Atlanta lost.

Hornets 95, Celtics 89. Charlotte's playoff hopes ended despite winning in Boston behind Mourning's 21 points and 11 rebounds.

Warriors 121, Kings 96: Jeff Grayer scored 19 points and Jud Buechler had 18 in the fourth quarter as Golden State won its seventh straight, clinching sixth place in the Western Conference by defeating visiting Sacramento, a seventh straight time.

Jazz 122, Blazers 111: Jeff Hornacek scored 23 points, including nine in the third quarter when Utah, playing at home, went ahead for good against Portland.

Karl Malone had 21 points and 13 rebounds and John Stockton finished with 20 points for the Jazz, who won for the sixth time in seven games by holding Portland to 43 percent shooting.

Danny Manning had 21 points after going scoreless for the first 21 minutes. Duane Ferrell added 20 points for the Hawks, 13 more than his average.

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